

Corporate Governance Practices

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices.

During the six months ended 30 June 2010, the Company has fully complied with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

A person may be appointed as a Member of the Board at any time either by the shareholders in general meeting or by the Board upon recommendation of the Nominations Committee of the Company. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment. A Director who retires in this way is eligible for election at that annual general meeting, but is not taken into account when deciding which and how many Directors should retire by rotation. In either case, the Directors so elected and appointed are eligible for re-election and re-appointment. At each annual general meeting of the Company, one third of the Directors (or, if the number of Directors is not divisible by three, such number as is nearest to and less than one third) must retire as Directors by rotation.

The Chief Executive of the Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR") may, pursuant to Section 8 of the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong), appoint up to three persons as "additional Directors". Directors appointed in this way may not be removed from office except by the Chief Executive of the HKSAR. These Directors are not subject to any requirement to retire by rotation nor will they be counted in the calculation of the number of Directors who must retire by rotation. In all other respects, the "additional Directors" are treated for all purposes in the same way as other Directors.

Dr. Raymond Ch'ien Kuo-fung, a Member of the Board since 1998, was re-appointed by the Government of the HKSAR (the "Government") in November 2009 as the non-executive Chairman of the Company with effect from December 2009 until December 2012. Dr. Ch'ien was first appointed as the non-executive Chairman of the Company with effect from 21 July 2003 for a term of three years, which was renewed in 2006 for a further term up to 31 July 2007. In July 2007, Dr. Ch'ien was re-appointed as the non-executive Chairman of the Company with effect from 1 August 2007 for a term up to 31 December 2007 or the day to be appointed by the Secretary for Transport and Housing by notice published in the Gazette under the Rail Merger Ordinance (Ordinance No. 11 of 2007), whichever was the earlier. The Rail Merger Ordinance relates to the Rail Merger between the Company and Kowloon-Canton Railway

Corporation. On 8 August 2007, Dr. Ch'ien was re-appointed as the non-executive Chairman of the Company for a term of 24 months with effect from the Rail Merger, which took effect from 2 December 2007.

Mr. Chow Chung-kong, a Member of the Board and the Chief Executive Officer since 2003, was re-appointed on 1 June 2009 as the Chief Executive Officer of the Company for the period from 1 December 2009 to 31 December 2011. Mr. Chow was first appointed as the Chief Executive Officer of the Company with effect from 1 December 2003 for a term of three years. His contract was renewed for a further term of three years from 1 December 2006 to 30 November 2009. On 8 August 2007, Mr. Chow was selected by the Government as the Chief Executive Officer after the Rail Merger.

At the 2010 Annual General Meeting on 27 May 2010 (the "2010 AGM"), Mr. Vincent Cheng Hoi-chuen, who was appointed after the annual general meeting on 4 June 2009, retired from office at the 2010 AGM pursuant to Article 85 of the Articles of Association of the Company, and was elected as independent non-executive Director. Mr. Chow Chung-kong and Ms. Christine Fang Meng-sang retired from office by rotation pursuant to Articles 87 and 88 of the Articles of Association of the Company, and were re-elected as Members of the Board.

Mr. Allister George Morrison (also known as Alasdair George Morrison) has been appointed as an independent non-executive Director of the Company with effect from 9 July 2010. With effect from the same date, Mr. Morrison has also been appointed as a member of both the Audit Committee and the Remuneration Committee of the Company.

Mr. Andrew McCusker, Operations Director, will retire from that position and as a Member of the Executive Directorate, effective from 1 January 2011. Dr. Kam Chak-pui, Deputy Operations Director (with effect from 1 July 2010), will be appointed as Operations Director and will become a Member of the Executive Directorate, both with effect from 1 January 2011.

Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code and after having made specific enquiry, the Company confirms that Members of the Board and the Executive Directorate complied throughout the half-year ended 30 June 2010 with the Model Code set out in Appendix 10 to the Listing Rules. Senior managers, other nominated managers and staff who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code. In addition, every employee is bound by the Code of Conduct issued by the Company, amongst other things, to keep unpublished price sensitive information in strict confidence.

Audit Committee

The Audit Committee normally meets four times each year with the purpose of monitoring the integrity of the Group's financial statements and to consider the nature and scope of internal and external audit reviews. It also assesses the effectiveness of the systems of internal control.

Under its Terms of Reference, the Audit Committee consists of four non-executive Directors, at least three of whom are independent non-executive Directors. The Members of the Audit Committee are Mr. T. Brian Stevenson (chairman), Mr. Ng Leung-sing, the Commissioner for Transport (Mr. Joseph Lai Yee-tak), and Mr. Alasdair George Morrison (effective from 9 July 2010). Mr. Stevenson, Mr. Ng and Mr. Morrison are independent non-executive Directors. Mr. Abraham Shek Lai-him stepped down as an Audit Committee member on 9 July 2010.

Remuneration Committee

The Remuneration Committee meets regularly to consider remuneration issues and its principal responsibilities include formulating a remuneration policy and practices that facilitate the employment of top quality personnel, recommending to the Board the remuneration of the Members of the Board who are non-executive Directors, determining the remuneration packages of the Members of the Board who are executive Directors and other Members of the Executive Directorate, and reviewing and approving performance-based remuneration by reference to the Company's goals and objectives.

Under its Terms of Reference, the Remuneration Committee consists of at least three non-executive Directors, and the majority of them are independent non-executive Directors. The Members of the Remuneration Committee are Mr. Edward Ho Sing-tin (chairman), Mr. T. Brian Stevenson, Mr. Vincent Cheng Hoi-chuen, Professor Chan Ka-keung, Ceajer and Mr. Alasdair George Morrison (effective from 9 July 2010). Mr. Ho, Mr. Stevenson, Mr. Cheng and Mr. Morrison are independent non-executive Directors.

Nominations Committee

The Nominations Committee nominates and recommends to the Board candidates for filling vacancies on the Board, and the positions of Chief Executive Officer ("CEO"), Finance Director ("FD") and Chief Operating Officer ("COO") (provided that the COO position exists). For the positions of FD and COO, the Committee may consider candidates recommended by the CEO, or any other candidates (provided that the CEO shall have the right to first agree to such other candidates).

Under its Terms of Reference, the Nominations Committee consists of seven non-executive Directors and the majority of them are independent non-executive Directors. The Members of the Nominations Committee are Mr. Edward Ho Sing-tin (chairman), Dr. Raymond Ch'ien Kuo-fung, Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him, Mr. Ng Leung-sing,

Professor Chan Ka-keung, Ceajer and the Secretary for Transport and Housing (Ms. Eva Cheng). Mr. Ho, Ms. Fang, Mr. Shek and Mr. Ng are independent non-executive Directors.

Corporate Responsibility Committee

The duties of the Corporate Responsibility Committee are to recommend corporate responsibility policy to the Board for approval, monitor and oversee the implementation of the Company's corporate responsibility policy and initiatives, identify emerging corporate responsibility issues arising from external trends, review annual Sustainability Report and recommend endorsement by the Board, and provide updates to the Board as required. The Committee normally meets two times a year.

Under its Terms of Reference, the Corporate Responsibility Committee consists of at least three non-executive Directors, two of whom are independent non-executive Directors, and two Members of the Executive Directorate. The Members of the Corporate Responsibility Committee are Dr. Raymond Ch'ien Kuo-fung (Chairman), Secretary for Transport and Housing (Ms. Eva Cheng), Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him, Mr. Vincent Cheng Hoi-chuen, Mr. Leonard Bryan Turk (Legal Director & Secretary) and Mr. Thomas Ho Hang-kwong (Property Director). Ms. Fang, Mr. Shek and Mr. Cheng are independent non-executive Directors.

Changes in Information of Directors

Pursuant to the requirements of Rule 13.51B(1) of the Listing Rules, Dr. Raymond Ch'ien Kuo-fung stepped down as a Hong Kong member of the APEC Business Advisory Council effective from 1 January 2010. He was appointed as an independent non-executive director of China Resources Power Holdings Company Limited with effect from 22 April 2010. Mr. Chow Chung-kong is the Deputy Chairman of The Hong Kong General Chamber of Commerce since 31 May 2010. Mr. Vincent Cheng Hoi-chuen is chairman of HSBC Bank (Taiwan) Limited effective from 21 January 2010 and non-executive director of Swire Properties Limited effective from 14 April 2010.

Internal Controls

The Board is responsible for the system of internal controls of the Company and its subsidiaries, setting appropriate policies and reviewing the effectiveness of such controls. Internal control is defined as a process effected by the Board, Management and other personnel, designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations
- effectiveness of risk management functions

Pursuant to the Protocol adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Committee, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders.

Supported by the Members of the Executive Committee, the Chief Executive Officer who chairs the Executive Committee is responsible to the Board for the conduct of the business of the Company. With the assistance of a number of committees in the day-to-day management and control of the various core businesses and functions of the Company and its subsidiaries, the Executive Committee is responsible for implementing the Board's policies on risk and control. In fulfilling its responsibilities, the Executive Committee identifies and evaluates the risks faced by the Company for consideration by the Board, and designs, operates and monitors a suitable system of internal controls which implements the policies adopted by the Board. The Executive Committee is accountable to the Board for monitoring the system of internal controls and providing assurance to the Board that it has done so. Additionally, all employees have responsibility for internal controls within their areas of accountability.

Various risk management strategies have been established by the Board as advised by the Executive Committee to identify, assess and reduce risks, including construction, business operations, finance, treasury, safety and enterprise risks as well as to ensure appropriate insurance coverage.

Risk Assessment and Management

The Company has established an Enterprise Risk Management ("ERM") framework for the strategic management of business risks to ensure continued and long term success of the Company. The framework covers all key business areas of the Company and provides a useful forum for communicating risk issues at different levels of the organization and thereby improves awareness and understanding of risk. The framework has been in operation since early 2006 and its application has been enhanced through internal and external reviews. Structured cross-discipline processes and organizations are in place at corporate and divisional levels for risk identification, assessment, mitigation and monitoring. A standard risk rating system is employed across the Company to prioritise risks for mitigation, effective monitoring and reporting to the Executive Committee and the Board.

The operation of the ERM framework, which is overseen by the Enterprise Risk Committee ("ERC"), is underpinned by line management taking direct risk management responsibilities as risk owners. Changes to existing and emerging risks are regularly reviewed by line management. The ERC reviews the operation of the ERM framework and key business risks every three months. The risk reviews cover the changes in business environments, the key internal and external risks facing the Company, and the risk perspectives of the Executive Committee, business managers and outside stakeholders. The ERC promotes a proactive risk culture by learning from risk events and failures.

Risk assessment is now part of the Company's everyday management processes. Risks associated with major changes and new businesses such as local and overseas railway construction, investment and consultancy projects are assessed at key stages and project milestones to support decision making. The Enterprise Risk Management Department plays a central role in facilitating risk assessments and reviewing existing and emerging business risks.

The Executive Committee reviews key enterprise risks half-yearly and the Board annually to ensure that such risks are under satisfactory control.

The Audit Committee also reviews annually the implementation of the ERM framework and the organization and processes that have been put in place to support it.

Control Activities and Processes

The Internal Audit Department plays a major role, independent of the Company's management, in assessing and monitoring the internal controls of the Company. The Head of Internal Audit reports to the Chief Executive Officer and has direct access to the Audit Committee. The Department has unrestricted access to information that allows it to review all aspects of the Company's risk management, control and governance processes.

On behalf of the Board, the Audit Committee evaluates the effectiveness of the Company's system of internal controls, including the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations and effectiveness of risk management functions.

The Company is committed to recruit, train and develop a team of qualified and competent accountants in order to oversee its financial reporting and other accounting-related issues. A process to capture and update relevant laws, rules and regulations applicable to the reporting and accounting function is in place. Designated officers will ensure relevant standards and ordinances including Hong Kong Financial Reporting Standards, the Listing Rules and Hong Kong Companies Ordinance under their responsibility are complied with. Resources and provisions required to deliver accounting and financial reporting function are critically reviewed during the annual budgeting exercise. Company-wide recruitment process and staff development programmes are in place to address the competency, qualifications and experience required. Adherence to the process is confirmed on an annual basis by the designated officers to the Finance & Business Development Director who will conduct a formalized annual review and report to the Audit Committee for the review results. Confirmation of the process is also monitored by the Internal Audit Department. Based on the above, the Audit Committee considered the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate for the year ended 31 December 2009.

The Board has, through the Audit Committee, conducted the review of the effectiveness of the Company's system of

internal controls for the year ended 31 December 2009, covering all material financial, operational and compliance controls, and risk management function, and concluded that adequate and effective internal controls were maintained to safeguard the shareholders' investment and the Company's assets. There were no significant control failings, weaknesses or significant areas of concern identified during the year 2009 which might affect shareholders.

Board Members' and Executive Directorate's Interests in Shares

As at 30 June 2010, the interests or short positions of the Members of the Board and the Executive Directorate in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

■ Long Positions in Shares and Underlying Shares of the Company

Member of the Board or the Executive Directorate	Number of Ordinary Shares held			Derivatives		Total interests	Percentage of aggregate interests to total issued share capital
	Personal* interests	Family† interests	Corporate interests	Share Options	Other		
Raymond Ch'ien Kuo-fung	51,499	–	–	–	–	51,499	0.00089
Chow Chung-kong	–	–	–	1,660,000 (Note 1)	222,161 (Note 2)	1,882,161	0.03264
Vincent Cheng Hoi-chuen	1,675	1,675	–	–	–	3,350	0.00006
Christine Fang Meng-sang	1,712	–	–	–	–	1,712	0.00003
T. Brian Stevenson	5,047	–	–	–	–	5,047	0.00009
William Chan Fu-keung	124,460	–	–	510,000 (Note 1)	–	634,460	0.01100
Chew Tai Chong	–	–	–	255,000 (Note 1)	–	255,000	0.00442
Thomas Ho Hang-kwong	148,110	2,541	–	510,000 (Note 1)	–	660,651	0.01146
Lincoln Leong Kwok-kuen	23,000	–	23,000 (Note 3)	(i) 417,500 (Note 4) (ii) 510,000 (Note 1)	–	973,500	0.01688
Andrew McCusker	–	–	–	453,000 (Note 1)	–	453,000	0.00785
Leonard Bryan Turk	–	–	–	510,000 (Note 1)	–	510,000	0.00884

Notes

- Further details of the above share options are set out in the table below showing details of the options to subscribe for ordinary shares granted under the 2007 Share Option Scheme.
- Chow Chung-kong has a derivative interest in respect of 222,161 shares in the Company within the meaning of Part XV of the SFO. That derivative interest represents Mr. Chow's entitlement to receive an equivalent value in cash of 222,161 shares in the Company on completion of his existing contract (on 31 December 2011).
- The 23,000 shares are held by Linsan Investment Ltd., a private limited company beneficially wholly owned by Lincoln Leong Kwok-kuen.
- Further details of the above share options are set out in the table below showing details of the options to subscribe for ordinary shares granted under the New Joiners Share Option Scheme.

* Interests as beneficial owner

† Interests of spouse or child under 18 as beneficial owner

Options to Subscribe for Ordinary Shares Granted under the Pre-Global Offering Share Option Scheme

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK\$)	Options outstanding as at 30 June 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
William Chan Fu-keung	20/9/2000	1,066,000	5/4/2001 – 11/9/2010	117,500	–	–	117,500	8.44	–	28.65
Other eligible employees	20/9/2000	41,409,000	5/4/2001 – 11/9/2010	2,830,500	–	–	1,421,500	8.44	1,409,000	27.66

Notes

All of the above share options were vested on 5 October 2003. The proportion of underlying shares in respect of which the share options have vested is as follows:

Date	Proportion of underlying shares in respect of which an option is vested
Before 5 October 2001	none
5 October 2001 to 4 October 2002	one-third
5 October 2002 to 4 October 2003	two-thirds
After 4 October 2003	all

Vesting of the share options may be accelerated to an earlier date in some circumstances. However, no such option shall vest and become exercisable before 5 April 2001, i.e. the date falling six months after the commencement of dealings in shares of the Company on the Stock Exchange on 5 October 2000.

Options to Subscribe for Ordinary Shares Granted under the New Joiners Share Option Scheme

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options granted during the period	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK\$)	Options outstanding as at 30 June 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Lincoln Leong Kwok-kuen	1/8/2003	1,066,000	14/7/2004 – 14/7/2013	417,500	–	–	–	–	9.75	417,500	–
Other eligible employees	1/8/2003	495,200	14/7/2004 – 14/7/2013	139,200	–	–	–	31,000	9.75	108,200	28.51
	23/9/2005	213,000	9/9/2006 – 9/9/2015	213,000	–	–	–	–	15.97	213,000	–
	31/3/2006	94,000	20/3/2007 – 20/3/2016	94,000	–	–	–	94,000	18.05	–	29.20
	5/10/2006	94,000	29/9/2007 – 29/9/2016	94,000	–	–	–	–	19.732	94,000	–
	12/5/2006	266,500	25/4/2007 – 25/4/2016	266,500	–	–	–	–	20.66	266,500	–
	15/5/2006	213,000	25/4/2007 – 25/4/2016	92,000	–	–	–	70,000	20.66	22,000	28.64

Notes

- The exercise price of the share options is determined upon the offer of grant of the options and which should not be less than the greatest of (a) the average closing price per share of the Company for the five business days immediately preceding the date of offer of such options; (b) the closing price per share of the Company on the date of offer of such options, which must be a business day; and (c) the nominal value per share of the Company.
- The proportion of underlying shares in respect of which the above share options will vest is as follows:

Date	Proportion of underlying shares in respect of which an option is vested
Before the first anniversary of the date of offer of the option (the "Offer Anniversary")	none
From the first Offer Anniversary to the date immediately before the second Offer Anniversary	one-third
From the second Offer Anniversary to the date immediately before the third Offer Anniversary	two-thirds
From the third Offer Anniversary and thereafter	all

Options to Subscribe for Ordinary Shares Granted under the 2007 Share Option Scheme

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options granted during the period	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK\$)	Options outstanding as at 30 June 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Chow Chung-kong	13/12/2007	720,000	10/12/2008 – 10/12/2014	720,000	–	–	–	–	27.60	720,000	–
	9/12/2008	470,000	8/12/2009 – 8/12/2015	470,000	–	–	–	–	18.30	470,000	–
	9/12/2009	470,000	8/12/2010 – 8/12/2016	470,000	–	–	–	–	26.85	470,000	–
William Chan Fu-keung	13/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
Chew Tai Chong	18/6/2009	85,000	12/6/2010 – 12/6/2016	85,000	–	28,500	–	–	24.50	85,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
Thomas Ho Hang-kwong	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	11/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	–	18.30	170,000	–
	14/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
Lincoln Leong Kwok-kuen	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
Andrew McCusker	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	12/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	57,000	18.30	113,000	26.80
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
Leonard Bryan Turk	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
Other eligible employees	11/12/2007	45,000	10/12/2008 – 10/12/2014	45,000	–	–	–	–	27.60	45,000	–
	12/12/2007	2,050,000	10/12/2008 – 10/12/2014	1,736,000	–	–	–	–	27.60	1,736,000	–
	13/12/2007	915,000	10/12/2008 – 10/12/2014	915,000	–	–	–	–	27.60	915,000	–
	14/12/2007	1,005,000	10/12/2008 – 10/12/2014	973,000	–	–	28,500	–	27.60	944,500	–
	15/12/2007	435,000	10/12/2008 – 10/12/2014	370,000	–	–	–	27,000	27.60	343,000	29.20
	17/12/2007	835,000	10/12/2008 – 10/12/2014	773,000	–	–	–	–	27.60	773,000	–
	18/12/2007	445,000	10/12/2008 – 10/12/2014	380,000	–	–	–	44,000	27.60	336,000	29.20
	19/12/2007	115,000	10/12/2008 – 10/12/2014	115,000	–	–	35,000	–	27.60	80,000	–
	20/12/2007	190,000	10/12/2008 – 10/12/2014	190,000	–	–	–	–	27.60	190,000	–
	21/12/2007	45,000	10/12/2008 – 10/12/2014	45,000	–	–	–	–	27.60	45,000	–
	22/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	–	–	–	27.60	35,000	–
	24/12/2007	118,000	10/12/2008 – 10/12/2014	118,000	–	–	–	–	27.60	118,000	–
	28/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	–	–	–	27.60	35,000	–
31/12/2007	130,000	10/12/2008 – 10/12/2014	130,000	–	–	–	–	27.60	130,000	–	

■ Options to Subscribe for Ordinary Shares Granted under the 2007 Share Option Scheme (continued)

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options granted during the period	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK\$)	Options outstanding as at 30 June 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Other eligible employees	2/1/2008	75,000	10/12/2008 – 10/12/2014	75,000	–	–	13,500	–	27.60	61,500	–
	3/1/2008	40,000	10/12/2008 – 10/12/2014	40,000	–	–	–	–	27.60	40,000	–
	7/1/2008	125,000	10/12/2008 – 10/12/2014	125,000	–	–	–	–	27.60	125,000	–
	28/3/2008	255,000	26/03/2009 – 26/03/2015	255,000	–	87,500	–	7,000	26.52	248,000	29.55
	31/3/2008	379,000	26/03/2009 – 26/03/2015	379,000	–	131,000	–	–	26.52	379,000	–
	1/4/2008	261,000	26/03/2009 – 26/03/2015	261,000	–	91,000	–	–	26.52	261,000	–
	2/4/2008	296,000	26/03/2009 – 26/03/2015	296,000	–	103,000	–	–	26.52	296,000	–
	3/4/2008	171,000	26/03/2009 – 26/03/2015	171,000	–	59,500	–	–	26.52	171,000	–
	4/4/2008	23,000	26/03/2009 – 26/03/2015	23,000	–	8,000	–	–	26.52	23,000	–
	5/4/2008	17,000	26/03/2009 – 26/03/2015	17,000	–	6,000	–	–	26.52	17,000	–
	7/4/2008	390,000	26/03/2009 – 26/03/2015	358,000	–	124,000	–	–	26.52	358,000	–
	8/4/2008	174,000	26/03/2009 – 26/03/2015	155,000	–	54,000	–	–	26.52	155,000	–
	9/4/2008	85,000	26/03/2009 – 26/03/2015	85,000	–	29,500	–	–	26.52	85,000	–
	10/4/2008	58,000	26/03/2009 – 26/03/2015	58,000	–	20,000	–	–	26.52	58,000	–
	11/4/2008	134,000	26/03/2009 – 26/03/2015	117,000	–	40,500	–	–	26.52	117,000	–
	12/4/2008	48,000	26/03/2009 – 26/03/2015	48,000	–	16,500	–	–	26.52	48,000	–
	14/4/2008	40,000	26/03/2009 – 26/03/2015	40,000	–	14,000	–	–	26.52	40,000	–
	15/4/2008	34,000	26/03/2009 – 26/03/2015	34,000	–	12,000	–	–	26.52	34,000	–
	16/4/2008	57,000	26/03/2009 – 26/03/2015	40,000	–	14,000	–	–	26.52	40,000	–
	17/4/2008	147,000	26/03/2009 – 26/03/2015	124,000	–	43,000	–	–	26.52	124,000	–
	18/4/2008	32,000	26/03/2009 – 26/03/2015	15,000	–	5,000	–	–	26.52	15,000	–
	19/4/2008	25,000	26/03/2009 – 26/03/2015	25,000	–	8,500	–	–	26.52	25,000	–
	21/4/2008	66,000	26/03/2009 – 26/03/2015	66,000	–	23,000	–	–	26.52	66,000	–
	23/4/2008	34,000	26/03/2009 – 26/03/2015	19,000	–	6,500	–	–	26.52	19,000	–
	8/12/2008	155,000	8/12/2009 – 8/12/2015	110,000	–	–	–	–	18.30	110,000	–
	9/12/2008	483,000	8/12/2009 – 8/12/2015	483,000	–	–	16,500	13,500	18.30	453,000	27.46
	10/12/2008	2,176,400	8/12/2009 – 8/12/2015	2,161,400	–	–	–	30,000	18.30	2,131,400	28.70
	11/12/2008	2,294,200	8/12/2009 – 8/12/2015	2,294,200	–	–	–	21,500	18.30	2,272,700	28.46
	12/12/2008	1,311,500	8/12/2009 – 8/12/2015	1,305,000	–	–	–	70,000	18.30	1,235,000	27.70
	13/12/2008	84,500	8/12/2009 – 8/12/2015	84,500	–	–	–	–	18.30	84,500	–
	14/12/2008	88,200	8/12/2009 – 8/12/2015	79,700	–	–	–	–	18.30	79,700	–
	15/12/2008	1,084,700	8/12/2009 – 8/12/2015	1,084,700	–	–	30,000	75,000	18.30	979,700	27.41
	16/12/2008	581,500	8/12/2009 – 8/12/2015	581,500	–	–	16,500	23,500	18.30	541,500	27.61
	17/12/2008	513,500	8/12/2009 – 8/12/2015	513,500	–	–	–	21,500	18.30	492,000	27.46
	18/12/2008	611,500	8/12/2009 – 8/12/2015	611,500	–	–	–	43,500	18.30	568,000	28.50
	19/12/2008	198,000	8/12/2009 – 8/12/2015	198,000	–	–	–	–	18.30	198,000	–
	20/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	–	–	–	18.30	19,000	–

■ **Options to Subscribe for Ordinary Shares Granted under the 2007 Share Option Scheme (continued)**

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options granted during the period	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK\$)	Options outstanding as at 30 June 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Other eligible employees	22/12/2008	772,500	8/12/2009 – 8/12/2015	767,500	–	–	–	8,500	18.30	759,000	28.20
	23/12/2008	306,000	8/12/2009 – 8/12/2015	299,500	–	–	–	17,000	18.30	282,500	28.98
	24/12/2008	500,500	8/12/2009 – 8/12/2015	485,500	–	–	–	15,000	18.30	470,500	28.40
	25/12/2008	45,000	8/12/2009 – 8/12/2015	45,000	–	–	–	–	18.30	45,000	–
	29/12/2008	148,000	8/12/2009 – 8/12/2015	148,000	–	–	–	–	18.30	148,000	–
	30/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	–	–	–	18.30	19,000	–
	18/6/2009	170,000	12/6/2010 – 12/6/2016	170,000	–	57,000	–	–	24.50	170,000	–
	6/7/2009	45,000	12/6/2010 – 12/6/2016	45,000	–	15,000	–	–	24.50	45,000	–
	9/7/2009	45,000	12/6/2010 – 12/6/2016	45,000	–	15,000	–	–	24.50	45,000	–
	9/12/2009	200,000	8/12/2010 – 8/12/2016	200,000	–	–	–	–	26.85	200,000	–
	10/12/2009	2,001,000	8/12/2010 – 8/12/2016	2,001,000	–	–	15,000	–	26.85	1,986,000	–
	11/12/2009	2,362,000	8/12/2010 – 8/12/2016	2,362,000	–	–	–	–	26.85	2,362,000	–
	12/12/2009	610,000	8/12/2010 – 8/12/2016	610,000	–	–	–	–	26.85	610,000	–
	13/12/2009	19,000	8/12/2010 – 8/12/2016	19,000	–	–	–	–	26.85	19,000	–
	14/12/2009	2,338,000	8/12/2010 – 8/12/2016	2,338,000	–	–	45,000	–	26.85	2,293,000	–
	15/12/2009	2,838,000	8/12/2010 – 8/12/2016	2,838,000	–	–	19,000	–	26.85	2,819,000	–
	16/12/2009	1,550,000	8/12/2010 – 8/12/2016	1,550,000	–	–	19,000	–	26.85	1,531,000	–
	17/12/2009	1,000,000	8/12/2010 – 8/12/2016	1,000,000	–	–	25,000	–	26.85	975,000	–
	18/12/2009	389,000	8/12/2010 – 8/12/2016	389,000	–	–	–	–	26.85	389,000	–
	19/12/2009	70,000	8/12/2010 – 8/12/2016	70,000	–	–	–	–	26.85	70,000	–
	20/12/2009	75,000	8/12/2010 – 8/12/2016	75,000	–	–	–	–	26.85	75,000	–
	21/12/2009	520,000	8/12/2010 – 8/12/2016	520,000	–	–	–	–	26.85	520,000	–
	22/12/2009	256,000	8/12/2010 – 8/12/2016	256,000	–	–	–	–	26.85	256,000	–

Notes

- The exercise price of the share options is determined upon the offer of grant of the options and which should not be less than the greatest of (a) the average closing price per share of the Company for the five business days immediately preceding the date of offer of such options; (b) the closing price per share of the Company on the date of offer of such options, which must be a business day; and (c) the nominal value per share of the Company.
- The proportion of underlying shares in respect of which the above share options will vest is as follows:

Date	Proportion of underlying shares in respect of which an option is vested
Before the first anniversary of the date of offer of the option (the "Offer Anniversary")	none
From the first Offer Anniversary to the date immediately before the second Offer Anniversary	one-third
From the second Offer Anniversary to the date immediately before the third Offer Anniversary	two-thirds
From the third Offer Anniversary and thereafter	all

On 28 June 2010, the Company offered to grant 355,000 share options under the Company's 2007 Share Option Scheme to certain eligible employees of the Company (the "Grantees"). Such offer to grant is subject to acceptance by the Grantees.

Save for the above offer, no options to subscribe for shares of the Company were granted to any persons under any of the Company's share option schemes during the six months ended 30 June 2010.

Save as disclosed above:

A none of the Members of the Board or the Executive Directorate of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and

B during the six months ended 30 June 2010, no Member of the Board or the Executive Directorate nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them,

as recorded in the register kept by the Company under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

Set out below is the name of the party which was interested in 5% or more of the nominal value of the share capital of the Company and the number of shares in which it was interested as at 30 June 2010 as recorded in the register kept by the Company under section 336 of the SFO:

Name	No. of Ordinary Shares	Percentage of Ordinary Shares to total issued share capital
The Financial Secretary Incorporated (in trust on behalf of the Government)	4,434,552,207	76.89

The Company has been informed by the Government that, as at 30 June 2010, approximately 0.63% of the shares of the Company were held for the account of the Exchange Fund. The Exchange Fund is a fund established under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) under the control of the Financial Secretary.

Loan Agreements with Covenant Relating to Specific Performance of the Controlling Shareholder

As at 30 June 2010, the Group had borrowings of HK\$17,172.75 million with maturities ranging from 2010 to 2020 and undrawn committed and uncommitted banking and other facilities of HK\$19,085.95 million, which were subject to the condition that the Government, being the Company's controlling shareholder, owns more than half in nominal value of the voting share capital of the Company during the lives of the borrowings and the undrawn facilities. Otherwise, immediate repayment of the borrowings may be demanded and cancellation of the undrawn facilities may result.

Purchase, Sale or Redemption of Own Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2010.

Closure of Register of Members

The Register of Members of the Company will be closed from 30 August 2010 to 3 September 2010 (both dates inclusive), during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 27 August 2010. The 2010 interim dividend is expected to be paid on or about 22 October 2010 to shareholders whose names appear on the Register of Members of the Company on 3 September 2010.