

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company firmly believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its stakeholders and continuous efforts are therefore taken to identify and formalise best practices for the Company to adopt.

The Company's commitment to the highest standards of corporate governance is driven by the Board who, led by the Chairman, assume overall responsibility for the governance of the Company, taking into account the interests of the Company's stakeholders, the development of its business, and the changing external environment.

The Company has applied the principles of the former Code on Corporate Governance Practices (the "former Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and, in accordance with the commitment of the Board referred to above, adopted a number of the requirements of the new Corporate Governance Code (the "new CG Code") and the associated Listing Rules announced by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 October 2011 in advance of their formal dates for implementation.

During the six months ended 30 June 2012, the Company has complied with the Code Provisions set out in both the former Code and the new CG Code contained in Appendix 14 of the Listing Rules, for the period from 1 January to 31 March 2012 and from 1 April to 30 June 2012 respectively.

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 by the Nominations Committee of the Company. For appointment to be made by shareholders, please refer to the procedures available on the websites of the Company and the Stock Exchange. 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 (the "HKSAR") may, pursuant to Section 8 of the Mass Transit Railway Ordinance (Chapter 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.

The composition of the Board, with 11 non-executive Directors out of the 12-member Board, of whom 7 are independent non-executive Directors (the "INED(s)"), well exceeds both the requirements of the current Listing Rule (every board of directors of a listed issuer has to have at least 3 INEDs), as well as the new Listing Rule (to have INEDs representing at least one-third of the board by not later than 31 December 2012).

Further, and as an integral part of good corporate governance, the Company has, for some time, had a number of Board Committees with written terms of reference to oversee particular aspects of the Company's affairs, and these include the Remuneration Committee (this new Listing Rule requirement took effect on 1 April 2012) and the Nominations Committee (this new CG Code provision became effective on 1 April 2012). In advance of the new CG Code implementation, the Board has, at the January 2012 Board Meeting, adopted revised Terms of Reference for the Remuneration Committee, the Nominations Committee and the Audit Committee (the new CG Code provision for audit committees became effective on 1 April 2012) in order to meet the requirements of the new CG Code. All these Terms of Reference are available on both the websites of the Company and the Stock Exchange.

As mentioned earlier, the Board recognises that corporate governance should be the collective responsibility of all Members of the Board. In light of the new CG Code provision on corporate governance functions (taking effect from 1 April 2012) and alongside the adoption of both the relevant Terms of Reference for the Board (available on both the websites of the Company and the Stock Exchange), and the revised "Protocol: Matters Reserved for the Board" (the "Protocol"), the Board confirmed at the January 2012 Board Meeting, that a separate corporate governance board committee would not be established by the Company.

The overall management of the Company's business is vested in the Board. Pursuant to the Company's articles of association (the "Articles of Association") and 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. These include financial statements, dividend policy, significant changes in accounting policy, annual operating budget, certain material contracts, strategies for future growth, major financing arrangements and major investments, corporate

governance matters, risk management strategies, treasury policies and fare structures.

At the January 2012 Board Meeting and as part of the Directors' training programme put in place by the Company, the Company's external legal counsel provided a comprehensive update on the corporate governance regime under the Listing Rules to the Board including the requirements of the new CG Code. A discussion then followed during which the Legal Director & Secretary ("LD&S") highlighted the implications of the revised Listing Rules and the new CG Code to both the Company and to individual Directors.

Regarding the Listing Rules requirement (effective on 1 January 2012) for directors to obtain a general understanding of an issuer's business and to follow up anything untoward that comes to their attention, it is considered that the current arrangements for keeping the Board informed of the Company's business performance through regular presentations and/or reports by Management at Board Meetings, and timely reports on urgent key events according to the Protocol at ad hoc Board Meetings are effective, and have satisfied the requirement. To improve on the existing practice, a Chief Executive Officer ("CEO") Executive Summary, covering key business issues and the financial performance of the Company has been made available to Members on a monthly basis from April 2012. A number of site visits to the Company's business operations are being arranged for Directors over the course of the year. The first one was held on 29 June 2012 to the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link to allow directors to obtain a better understanding of the construction progress of the project, including the West Kowloon Terminus. The tour was followed by a visit to a tunnel boring machine launching shaft and bored tunnel. In addition, an off site meeting for the Board to review the Company's corporate strategy was held in June 2012.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Company. In light of the new CG Code Principle on directors' time commitments (taking effect on 1 April 2012), the Chairman held a private Board Meeting (without the presence of the CEO and other Members of Executive Directorate) in April 2012 to review the contribution from each Director in performing his/her responsibilities to the Company, and whether he/she is spending sufficient time in performing them.

As regards the new CG Code provision (effective 1 April 2012) requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved (the "Commitments") to the issuer, all Directors have,

at the Board Meeting in January 2012, agreed to disclose their Commitments to the Company in a timely manner. The Company's current practice of requesting Members of the Board to make a disclosure to the Company twice a year will also continue.

In January 2012, a questionnaire was sent to all Members of the Board in order to enable the performance of the Board to be evaluated. The questionnaire sought their views on, for example, the overall performance of the Board, the composition of the Board, conduct of Board Meetings and provision of information to the Board. The responses to the questionnaire were discussed at the private Board Meeting held in April 2012 and any suggestions made by Members of the Board have been incorporated as further improvements to the Company's overall corporate governance regime.

At the 2012 Annual General Meeting on 3 May 2012, Mr. Jay Herbert Walder, who was appointed after the 2011 annual general meeting on 6 May 2011, retired from office pursuant to Article 85 of the Articles of Association, and was elected as a Member of the Board. Dr. Raymond Ch'ien Kuo-fung, Mr. T. Brian Stevenson and Professor Chan Ka-keung, Ceajer retired from office by rotation pursuant to Articles 87 and 88 of the Articles of Association, and were re-elected as Members of the Board.

As outlined earlier, the Company has 7 INEDs on the 12-member Board, and the CEO is the only executive Director on the Board.

Dr. Raymond Ch'ien Kuo-fung, a Member of the Board and the non-executive Chairman of the Company since 1998 and 2003 respectively, was re-appointed by the Government of the HKSAR in November 2009 as the non-executive Chairman with effect from December 2009 until December 2012.

Mr. Chow Chung-kong retired from the position of CEO and ceased to be a Member of the Board and a Member of the Executive Directorate on 31 December 2011.

Mr. Jay Herbert Walder was appointed as CEO for an initial term of thirty months with effect from 1 January 2012. He became both a Member of the Executive Directorate and a Member of the Board of Directors on the same date. Before joining the Company, Mr. Walder was Chairman and Chief Executive Officer of the New York Metropolitan Transportation Authority, the largest passenger transportation authority in the United States.

Professor Anthony Cheung Bing-leung, who was appointed to the post of the Secretary for Transport & Housing ("S for T&H") (held by Ms. Eva Cheng up to 30 June 2012) with effect from 1 July 2012, has by virtue of his appointment become a non-executive Director of the Company on the same date. In addition, with effect from 1 July 2012, Professor Cheung was

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appointed as a member of the Nominations Committee and the Corporate Responsibility Committee of the Company.

Miss Susie Ho Shuk-ye, who was appointed to the post of the Commissioner for Transport (held by Mr. Joseph Lai Yee-tak up to 27 May 2012) with effect from 16 July 2012, has by virtue of her appointment become a non-executive Director of the Company on the same date. In addition, with effect from 16 July 2012, Miss Ho was appointed as a member of the Audit Committee of the Company.

Mr. Joseph Lai Yee-tak was appointed to the post of the Permanent Secretary for Transport and Housing (Transport) (held by Mr. Ho Suen-wai up to 27 May 2012) with effect from 28 May 2012 and has by virtue of his appointment become an Alternate Director to the office of the S for T&H with effect from the same date.

Ms. Elizabeth Tse Man-ye who took over the post of the Permanent Secretary for Financial Services and the Treasury (Treasury) (held by Mr. Ying Yiu-hong up to 24 July 2012) with effect from 25 July 2012, was appointed as an Alternate Director to Professor Chan Ka-keung, Ceajer (Secretary for Financial Services and the Treasury), a non-executive Director of the Company, with effect from the same date.

Ms. Mable Chan who took over the post of the Deputy Secretary for Financial Services and the Treasury (Treasury)² (vacated by Miss Chu Man-ling from 19 June 2012 and doubled up by Ms. Tsang Oi-lin between 19 June to 22 July 2012) with effect from 23 July 2012, was appointed as an Alternate Director to Professor Chan with effect from the same date.

Mr. Andy Chan Shui-fu was appointed to the post of the Deputy Secretary for Transport and Housing (Transport) ("DS for T&H(T)") with effect from 24 July 2012 and has by virtue of his appointment become an Alternate Director to the office of the S for T&H with effect from the same date.

As Mr. Yau Shing-mu ceased to hold the post of the Under Secretary for Transport and Housing with effect from 1 July 2012, he also ceased to be an Alternate Director to the office of the S for T&H with effect from the same date.

As Ms. Maisie Cheng Mei-sze ceased to hold the post of the DS for T&H(T) with effect from 4 July 2012, she also ceased to be an Alternate Director to the office of the S for T&H with effect from the same date.

Mr. Lincoln Leong Kwok-kuen, previously Finance & Business Development Director, was appointed as Deputy CEO and ceased to be Finance & Business Development Director, both with effect from 16 July 2012. Mr. Leong has remained a Member of the Executive Directorate.

Since Mr. Leong has retained his business development functions as part of the role of Deputy CEO, the role of Finance Director ("FD") has become vacant. The Company is proceeding with both internal and external searches to fill the position of FD. In the meantime, Mr. Leong is continuing to perform the role of FD until a new FD has been appointed.

Mr. William Chan Fu-keung retired from the position of Human Resources Director and as a Member of the Executive Directorate, both effective from 17 July 2012. Mr. Cheung Siu-wa (also known as Mr. Morris Cheung) was appointed as Human Resources Director and a Member of the Executive Directorate, both with effect from 17 July 2012.

Ms. Gillian Elizabeth Meller has been the LD&S and a Member of the Executive Directorate since 1 September 2011. As the LD&S, Ms. Meller reports to the CEO. All Members of the Board have access to the advice and services of the LD&S, who is responsible for ensuring that the correct Board procedures are followed and advises the Board on all corporate governance matters. On appointment to the Board, LD&S has arranged for each of the Directors (including Alternate Directors) to receive a comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company, as well as the general and specific duties of directors under general law (common law and legislation) and the Listing Rules. To assist Directors' continuing professional development, LD&S recommends Directors to attend relevant seminars and courses and arranges for training on relevant new or amended legislation or other regulations to be provided at Board Meetings. The costs for such training are borne by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code"). 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 2012 with the Model Code. 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.

In line with the new CG Code, the Terms of Reference of the Audit Committee have been revised and were approved at the January 2012 Board Meeting.

Under its Terms of Reference, the Audit Committee consists of four non-executive Directors, at least three of whom are INEDs. The Members of the Committee are Mr. T. Brian Stevenson (chairman), Mr. Ng Leung-sing, the Commissioner for Transport (being Mr. Joseph Lai Yee-tak up to 27 May 2012, Ms. Carolina Yip Lai-ching (Acting Commissioner for Transport) from 28 May to 15 July 2012, and Miss Susie Ho Shuk-yee since 16 July 2012), and Mr. Alasdair George Morrison. Mr. Stevenson, Mr. Ng and Mr. Morrison are INEDs.

REMUNERATION COMMITTEE

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

The model described in (iii) above, which the Committee has adopted, is set out in its Terms of Reference and is consistent with the new CG Code. The Terms of Reference were approved at the January 2012 Board Meeting.

Under its Terms of Reference, the Remuneration Committee consists of at least three non-executive Directors, and the majority of them are INEDs. The Members of the 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. Mr. Ho, Mr. Stevenson, Mr. Cheng and Mr. Morrison are INEDs.

NOMINATIONS COMMITTEE

The Nominations Committee nominates and recommends to the Board candidates for filling vacancies on the Board,

and the positions of CEO, FD and Chief Operating Officer (the "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).

In line with the new CG Code, the Terms of Reference of the Nominations Committee have been revised and were approved at the January 2012 Board Meeting.

Amongst other things and following the requirements of the new CG Code, the Nominations Committee met in April 2012 to review the structure, size and composition of the Board. The discussion was supported by feedback from Members of the Board, in response to the January 2012 questionnaire on the evaluation of the Board's performance, in relation to which see page 25.

Under its Terms of Reference, the Nominations Committee consists of seven non-executive Directors and the majority of them are INEDs. The Members of the 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 S for T&H (being Ms. Eva Cheng up to 30 June 2012, and Professor Anthony Cheung Bing-leung since 1 July 2012). Mr. Ho, Ms. Fang, Mr. Shek and Mr. Ng are INEDs.

CORPORATE RESPONSIBILITY COMMITTEE

The Corporate Responsibility Committee normally meets twice a year. The duties of the Committee are to recommend a 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 the Company's annual Sustainability Report and recommend endorsement by the Board, and provide updates to the Board as required.

The Corporate Responsibility Committee includes two non-executive Directors (Dr. Raymond Ch'ien Kuo-fung (Chairman) and the S for T&H (being Ms. Eva Cheng up to 30 June 2012, and Professor Anthony Cheung Bing-leung since 1 July 2012)), three INEDs (Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him and Mr. Vincent Cheng Hoi-chuen), and two Members of the Executive Directorate (Ms. Gillian Elizabeth Meller (LD&S) and Mr. Morris Cheung Siu-wa (Human Resources Director)) as Members of the Committee. Dr. Ch'ien is the Chairman of the Committee.

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CHANGES IN INFORMATION OF DIRECTORS

The following additional information is set out pursuant to the requirements of Rule 13.51B(1) of the Listing Rules:

Dr. Raymond Ch'ien Kuo-fung is an independent non-executive director of Swiss Re Ltd. Ms. Jeny Yeung Mei-chun is a director of Hong Kong Cyberport Management Company Limited since 5 June 2012.

Mr. Vincent Cheng Hoi-chuen ceased to be a non-executive director of Swire Properties Limited and the Adviser to the Group Chief Executive of HSBC Holdings plc effective from 14 April 2012 and 1 June 2012 respectively. Ms. Christine Fang Meng-sang ceased to be a member of the Commission on Strategic Development effective from 1 July 2012. Mr. Lincoln Leong Kwok-kuen ceased to be a non-executive director of Tai Ping Carpets International Limited effective from 18 May 2012.

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 CEO who chairs the Executive Committee is responsible to the Board for the conduct of the business of the Company. A number of committees have been established to assist the Executive Committee 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's Enterprise Risk Management (ERM) framework continues to provide a simple and fit-for-purpose management process that aids business units across the organisation to identify and review risks facing the organisation and to prioritise resources to manage the risks arising. It also provides management with a clear and holistic view of the significant risks facing the Company and is used throughout the business to support decision making and project execution and to help deliver better business performance. The framework has been subject to continuous improvement through internal and external reviews.

The operation of the ERM framework, which is overseen by the Enterprise Risk Committee (the "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 changes in the business environment, 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 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 and forward planning. The Enterprise Risk Management Department plays a central role in facilitating risk assessments and reviewing existing and emerging business risks facing the Company.

The Executive Committee reviews key enterprise risks half-yearly and the Board annually to ensure that such risks are under satisfactory control. The Executive Committee and the Board also offer direction in relation to the management of risks which are considered to be strategic in nature.

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 CEO 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 perform the 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 the results to the Audit Committee. 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 2011.

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 2011, covering all material financial, operational and compliance controls, and risk management functions, 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 2011 which might affect shareholders.

Crisis Management Committee

To uphold the reputation of being one of the best companies in Hong Kong and in order to help ensure that the Company will respond to and recover from crises in an organised and effective manner, including timely communications with principal stakeholders such as shareholders, the Company established a Crisis Management Committee in 1995. The Committee comprises relevant Members of the Executive Directorate and managers, and its operation is governed by a Crisis Management Plan. The Committee conducts regular exercises to validate the crisis management organisation and arrangements and to provide practices for members.

Continuous Disclosure Obligations regarding Price Sensitive Information

The Company has developed a system with established policies, processes and procedures across all relevant Division(s) and Department(s) for complying with the disclosure obligations regarding price sensitive information. The system continues to be effective. Efforts to further enhance the system in the light of the business operation, development of the Company and new regulations and laws will continue.

Governance of Subsidiaries and Affiliated Companies

The Company has a number of subsidiaries and affiliated companies which operate independent businesses in Hong Kong, the Mainland of China and overseas. Notwithstanding these subsidiaries and affiliated companies are separate legal entities, the Company has implemented a management governance framework (the "Governance Framework") to ensure that it exercises an appropriate level of control and oversight as a shareholder of these subsidiaries and affiliated companies.

Pursuant to the Governance Framework, the Company exercises its control and oversight in a number of forms: imposition of internal controls, requirements for consent or consultation, reporting requirements and assurance. The management of each subsidiary or affiliated company is responsible for the adoption of management practices and policies that are appropriate to the business nature and local situation, taking into account the management governance requirements of the Company, and developing a corporate governance manual for the entity which reflects both such management practices and policies as well as the management governance requirements, for approval by the relevant board of directors. Ongoing compliance with the manuals is reported by all subsidiaries and affiliated companies on a regular basis.

The Executive Committee reviews the Governance Framework and compliance by the subsidiaries and affiliated companies with it on an annual basis.

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BOARD MEMBERS' AND EXECUTIVE DIRECTORATE'S INTERESTS IN SHARES

As at 30 June 2012, 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 pursuant to the Model Code were as follows:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Member of the Board and/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	52,330	–	–	–	–	52,330	0.00090
Jay Herbert Walder	–	–	–	391,500 (Note 1)	300,000 (Note 2)	691,500	0.01195
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	5,153	–	–	–	–	5,153	0.00009
William Chan Fu-keung	126,106	–	–	823,500 (Note 1)	–	949,606	0.01641
Chew Tai Chong	–	–	–	609,500 (Note 1)	–	609,500	0.01053
Jacob Kam Chak-pui	2,283	–	–	597,000 (Note 1)	–	599,283	0.01036
Lincoln Leong Kwok-kuen	23,000	–	23,000 (Note 3)	881,000 (Note 1)	–	927,000	0.01602
Jeny Yeung Mei-chun	13,400	–	–	431,000 (Note 1)	–	444,400	0.00768
Gillian Elizabeth Meller	–	–	–	378,000 (Note 1)	–	378,000	0.00653
David Tang Chi-fai	600	–	–	(i) 401,500 (Note 1) (ii) 22,000 (Note 4)	–	424,100	0.00733

Member of 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		
Morris Cheung Siu-wa (Note 5)	5,290	–	–	352,000 (Note 1)	–	357,290	0.00617

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.
- Mr. Jay Herbert Walder was granted a derivative interest in respect of 300,000 shares in the Company within the meaning of Part XV of the SFO. That derivative interest represents Mr. Walder's entitlement to be paid an equivalent value in cash of 300,000 shares in the Company following 30 June 2014, being the date on which his initial term of office is expected to expire (35% of which shall be deemed to be earned at 31 October 2013 subject to certain conditions specified in his employment contract).
- The 23,000 shares are held by Linsan Investment Ltd., a private limited company beneficially wholly owned by Mr. 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.
- Mr. Morris Cheung Siu-wa became the Human Resources Director and a Member of the Executive Directorate on 17 July 2012.

* Interests as beneficial owner

† Interests of spouse or child under 18 as beneficial owner

OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES GRANTED UNDER THE NEW JOINERS SHARE OPTION SCHEME

Executive Directorate and eligible employees	Date granted	Options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2012	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 2012	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
David Tang Chi-fai	15/5/2006	213,000	25/4/2007 – 25/4/2016	22,000	–	–	–	–	20.66	22,000	–
Other eligible employees	23/9/2005	213,000	9/9/2006 – 9/9/2015	213,000	–	–	–	–	15.97	213,000	–
	5/10/2006	94,000	29/9/2007 – 29/9/2016	94,000	–	–	–	–	19.732	94,000	–

Notes

- The exercise price of the share options is determined upon the offer of grant of the options and 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	Options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2012	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 2012	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Jay Herbert Walder	30/3/2012	391,500	23/3/2013 – 23/3/2019	–	391,500	–	–	–	27.48	391,500	–
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	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
	30/3/2012	143,500	23/3/2013 – 23/3/2019	–	143,500	–	–	–	27.48	143,500	–
Chew Tai Chong	18/6/2009	85,000	12/6/2010 – 12/6/2016	85,000	–	28,000	–	–	24.50	85,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
	30/3/2012	184,500	23/3/2013 – 23/3/2019	–	184,500	–	–	–	27.48	184,500	–
Jacob Kam Chak-pui	13/12/2007	75,000	10/12/2008 – 10/12/2014	75,000	–	–	–	–	27.60	75,000	–
	8/12/2008	65,000	8/12/2009 – 8/12/2015	65,000	–	–	–	–	18.30	65,000	–
	14/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	21/7/2010	50,000	28/6/2011 – 28/6/2017	50,000	–	17,000	–	–	27.73	50,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
	30/3/2012	172,000	23/3/2013 – 23/3/2019	–	172,000	–	–	–	27.48	172,000	–
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	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
	30/3/2012	201,000	23/3/2013 – 23/3/2019	–	201,000	–	–	–	27.48	201,000	–
Jeny Yeung Mei-chun	12/12/2007	75,000	10/12/2008 – 10/12/2014	75,000	–	–	–	–	27.60	75,000	–
	10/12/2008	65,000	8/12/2009 – 8/12/2015	65,000	–	–	–	–	18.30	65,000	–
	10/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	17/12/2010	65,000	16/12/2011 – 16/12/2017	65,000	–	–	–	–	28.84	65,000	–
	30/3/2012	161,000	23/3/2013 – 23/3/2019	–	161,000	–	–	–	27.48	161,000	–

CORPORATE GOVERNANCE AND OTHER INFORMATION

OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES GRANTED UNDER THE 2007 SHARE OPTION SCHEME (CONTINUED)

Executive Directorate and eligible employees	Date granted	Options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2012	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 2012	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Gillian Elizabeth Meller	12/12/2007	55,000	10/12/2008 – 10/12/2014	18,000	–	–	–	–	27.60	18,000	–
	11/12/2008	70,000	8/12/2009 – 8/12/2015	46,500	–	–	–	–	18.30	46,500	–
	10/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	17/12/2010	90,000	16/12/2011 – 16/12/2017	90,000	–	–	–	–	28.84	90,000	–
	30/3/2012	158,500	23/3/2013 – 23/3/2019	–	158,500	–	–	–	27.48	158,500	–
David Tang Chi-fai	13/12/2007	65,000	10/12/2008 – 10/12/2014	65,000	–	–	–	–	27.60	65,000	–
	12/12/2008	65,000	8/12/2009 – 8/12/2015	43,000	–	–	–	–	18.30	43,000	–
	15/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	17/12/2010	65,000	16/12/2011 – 16/12/2017	65,000	–	–	–	–	28.84	65,000	–
	30/3/2012	163,500	23/3/2013 – 23/3/2019	–	163,500	–	–	–	27.48	163,500	–
Morris Cheung Siu-wa (Note 3)	12/12/2007	65,000	10/12/2008 – 10/12/2014	65,000	–	–	–	–	27.60	65,000	–
	10/12/2008	65,000	8/12/2009 – 8/12/2015	65,000	–	–	–	65,000	18.30	–	27.85
	11/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	21/7/2010	35,000	28/6/2011 – 28/6/2017	35,000	–	12,000	–	–	27.73	35,000	–
	20/12/2010	65,000	16/12/2011 – 16/12/2017	65,000	–	–	–	–	28.84	65,000	–
Other eligible employees	30/3/2012	122,000	23/3/2013 – 23/3/2019	–	122,000	–	–	–	27.48	122,000	–
	11/12/2007	45,000	10/12/2008 – 10/12/2014	45,000	–	–	–	–	27.60	45,000	–
	12/12/2007	2,365,000	10/12/2008 – 10/12/2014	1,575,000	–	–	–	–	27.60	1,575,000	–
	13/12/2007	1,495,000	10/12/2008 – 10/12/2014	1,430,000	–	–	–	–	27.60	1,430,000	–
	14/12/2007	1,005,000	10/12/2008 – 10/12/2014	820,000	–	–	–	–	27.60	820,000	–
15/12/2007	435,000	10/12/2008 – 10/12/2014	228,000	–	–	–	65,000	27.60	163,000	27.90	
17/12/2007	835,000	10/12/2008 – 10/12/2014	730,000	–	–	–	–	27.60	730,000	–	
18/12/2007	445,000	10/12/2008 – 10/12/2014	275,000	–	–	45,000	–	27.60	230,000	–	
19/12/2007	115,000	10/12/2008 – 10/12/2014	80,000	–	–	–	–	27.60	80,000	–	
20/12/2007	190,000	10/12/2008 – 10/12/2014	190,000	–	–	–	–	27.60	190,000	–	
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	–	
2/1/2008	75,000	10/12/2008 – 10/12/2014	35,000	–	–	–	–	27.60	35,000	–	
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	80,000	–	–	–	–	27.60	80,000	–	
28/3/2008	255,000	26/3/2009 – 26/3/2015	199,000	–	–	–	–	26.52	199,000	–	
31/3/2008	379,000	26/3/2009 – 26/3/2015	323,000	–	–	–	25,000	26.52	298,000	27.45	
1/4/2008	261,000	26/3/2009 – 26/3/2015	249,000	–	–	–	–	26.52	249,000	–	
2/4/2008	296,000	26/3/2009 – 26/3/2015	276,000	–	–	–	–	26.52	276,000	–	
3/4/2008	171,000	26/3/2009 – 26/3/2015	140,000	–	–	–	–	26.52	140,000	–	
4/4/2008	23,000	26/3/2009 – 26/3/2015	23,000	–	–	–	–	26.52	23,000	–	
5/4/2008	17,000	26/3/2009 – 26/3/2015	17,000	–	–	–	–	26.52	17,000	–	
7/4/2008	390,000	26/3/2009 – 26/3/2015	330,000	–	–	5,000	23,000	26.52	302,000	27.85	
8/4/2008	174,000	26/3/2009 – 26/3/2015	110,000	–	–	–	–	26.52	110,000	–	
9/4/2008	85,000	26/3/2009 – 26/3/2015	85,000	–	–	–	–	26.52	85,000	–	
10/4/2008	58,000	26/3/2009 – 26/3/2015	58,000	–	–	–	–	26.52	58,000	–	
11/4/2008	134,000	26/3/2009 – 26/3/2015	117,000	–	–	–	–	26.52	117,000	–	
12/4/2008	48,000	26/3/2009 – 26/3/2015	48,000	–	–	–	–	26.52	48,000	–	
14/4/2008	40,000	26/3/2009 – 26/3/2015	40,000	–	–	–	–	26.52	40,000	–	
15/4/2008	34,000	26/3/2009 – 26/3/2015	34,000	–	–	–	–	26.52	34,000	–	
16/4/2008	57,000	26/3/2009 – 26/3/2015	40,000	–	–	–	–	26.52	40,000	–	
17/4/2008	147,000	26/3/2009 – 26/3/2015	124,000	–	–	–	–	26.52	124,000	–	
18/4/2008	32,000	26/3/2009 – 26/3/2015	15,000	–	–	–	–	26.52	15,000	–	
19/4/2008	25,000	26/3/2009 – 26/3/2015	25,000	–	–	–	–	26.52	25,000	–	
21/4/2008	66,000	26/3/2009 – 26/3/2015	66,000	–	–	–	–	26.52	66,000	–	
23/4/2008	34,000	26/3/2009 – 26/3/2015	19,000	–	–	–	–	26.52	19,000	–	
8/12/2008	90,000	8/12/2009 – 8/12/2015	45,000	–	–	–	–	18.30	45,000	–	
9/12/2008	1,123,000	8/12/2009 – 8/12/2015	1,019,000	–	–	–	49,000	18.30	970,000	27.05	
10/12/2008	2,046,400	8/12/2009 – 8/12/2015	1,767,900	–	–	–	316,000	18.30	1,451,900	26.74	
11/12/2008	2,394,200	8/12/2009 – 8/12/2015	1,946,700	–	–	–	297,000	18.30	1,649,700	26.99	
12/12/2008	1,416,500	8/12/2009 – 8/12/2015	1,098,000	–	–	–	200,500	18.30	897,500	27.26	

OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES GRANTED UNDER THE 2007 SHARE OPTION SCHEME (CONTINUED)

Executive Directorate and eligible employees	Date granted	Options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2012	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 2012	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Other eligible employees	13/12/2008	84,500	8/12/2009 – 8/12/2015	78,000	–	–	–	12,500	18.30	65,500	27.25
	14/12/2008	88,200	8/12/2009 – 8/12/2015	52,200	–	–	–	7,200	18.30	45,000	26.95
	15/12/2008	1,084,700	8/12/2009 – 8/12/2015	873,200	–	–	–	133,000	18.30	740,200	27.76
	16/12/2008	581,500	8/12/2009 – 8/12/2015	450,000	–	–	–	63,500	18.30	386,500	25.87
	17/12/2008	513,500	8/12/2009 – 8/12/2015	470,500	–	–	–	20,000	18.30	450,500	27.05
	18/12/2008	611,500	8/12/2009 – 8/12/2015	470,500	–	–	–	95,000	18.30	375,500	27.56
	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	–
	22/12/2008	772,500	8/12/2009 – 8/12/2015	487,000	–	–	–	78,000	18.30	409,000	26.09
	23/12/2008	306,000	8/12/2009 – 8/12/2015	218,000	–	–	–	8,000	18.30	210,000	25.50
	24/12/2008	500,500	8/12/2009 – 8/12/2015	367,500	–	–	–	76,000	18.30	291,500	26.63
	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	118,000	–	–	–	25,000	18.30	93,000	26.90
	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	90,000	–	30,000	–	–	24.50	90,000	–
	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	30,000	–	15,000	–	–	24.50	30,000	–
	9/12/2009	670,000	8/12/2010 – 8/12/2016	585,000	–	–	–	–	26.85	585,000	–
	10/12/2009	2,211,000	8/12/2010 – 8/12/2016	2,006,000	–	–	–	11,500	26.85	1,994,500	27.30
	11/12/2009	2,297,000	8/12/2010 – 8/12/2016	2,170,000	–	–	19,000	–	26.85	2,151,000	–
	12/12/2009	610,000	8/12/2010 – 8/12/2016	565,500	–	–	69,000	–	26.85	496,500	–
	13/12/2009	19,000	8/12/2010 – 8/12/2016	12,500	–	–	–	–	26.85	12,500	–
	14/12/2009	2,443,000	8/12/2010 – 8/12/2016	2,372,500	–	–	59,000	30,000	26.85	2,283,500	27.85
	15/12/2009	2,773,000	8/12/2010 – 8/12/2016	2,441,000	–	–	–	–	26.85	2,441,000	–
	16/12/2009	1,550,000	8/12/2010 – 8/12/2016	1,414,000	–	–	19,000	–	26.85	1,395,000	–
	17/12/2009	1,000,000	8/12/2010 – 8/12/2016	975,000	–	15,000	–	–	26.85	975,000	–
	18/12/2009	389,000	8/12/2010 – 8/12/2016	380,500	–	6,000	–	–	26.85	380,500	–
	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	501,000	–	8,000	15,000	30,000	26.85	456,000	27.40
	22/12/2009	256,000	8/12/2010 – 8/12/2016	215,000	–	–	–	–	26.85	215,000	–
	21/7/2010	270,000	28/6/2011 – 28/6/2017	245,000	–	82,000	66,000	–	27.73	179,000	–
	16/12/2010	194,000	16/12/2011 – 16/12/2017	194,000	–	–	–	–	28.84	194,000	–
	17/12/2010	4,567,000	16/12/2011 – 16/12/2017	4,426,500	–	–	18,500	–	28.84	4,408,000	–
	18/12/2010	673,000	16/12/2011 – 16/12/2017	673,000	–	–	–	–	28.84	673,000	–
	19/12/2010	174,000	16/12/2011 – 16/12/2017	174,000	–	–	–	–	28.84	174,000	–
	20/12/2010	4,789,500	16/12/2011 – 16/12/2017	4,663,000	–	57,000	152,000	–	28.84	4,511,000	–
	21/12/2010	3,020,000	16/12/2011 – 16/12/2017	3,001,000	–	22,000	21,000	–	28.84	2,980,000	–
	22/12/2010	975,000	16/12/2011 – 16/12/2017	956,000	–	–	–	–	28.84	956,000	–
	23/12/2010	189,000	16/12/2011 – 16/12/2017	189,000	–	–	45,000	–	28.84	144,000	–
	7/7/2011	215,000	27/6/2012 – 27/6/2018	215,000	–	72,500	–	–	26.96	215,000	–
	30/3/2012	15,219,500	23/3/2013 – 23/3/2019	–	15,219,500	–	–	–	27.48	15,219,500	–

Notes

- The exercise price of the share options is determined upon the offer of grant of the options and 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

- Mr. Morris Cheung Siu-wa became the Human Resources Director and a Member of the Executive Directorate on 17 July 2012.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the six months ended 30 June 2012, 16,917,000 options to subscribe for shares of the Company were granted to 444 employees under the 2007 Share Option Scheme. Details of the grant are set out in the tables above. The closing price per share immediately before the date of grant of options is set out below. Pursuant to the terms of the Scheme,

Date granted	Closing price per share immediately before the date of grant (HK\$)	Estimated risk-free interest rate (%)	Expected life (Years)	Estimated Volatility	Expected dividend per share (HK\$)	Weighted average value per option granted (HK\$)
30/3/2012	27.50	0.37	3.5	0.22	0.76	3.08

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

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 2012, 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 2012 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	76.64

each grantee undertakes to pay HK\$1.00, on demand, to the Company, in consideration for the grant of the options. The share options granted are recognised on an accrued vesting basis in the accounts. The weighted average value per option granted, estimated at the date of grant using the Black-Scholes pricing model is as follows:

The Company has been informed by the Government that, as at 30 June 2012, approximately 0.40% 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 2012, the Group had borrowings of HK\$22,643 million with maturities ranging from 2012 to 2020 and undrawn committed and uncommitted banking and other facilities of HK\$10,380 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 2012.

CLOSURE OF REGISTER OF MEMBERS

The closure of the Register of Members of the Company is from 28 August 2012 to 3 September 2012 (both dates inclusive). During that 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 2012. The 2012 interim dividend is expected to be paid, in cash in Hong Kong dollars, on or about 19 September 2012 to shareholders whose names appear on the Register of Members of the Company on 3 September 2012.