

Corporate Governance and Other Information

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.

Corporate Governance Code Compliance

During the six months' period ended 30 June 2014, the Company has complied with the Code Provisions set out in the Corporate Governance Code, contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Independent Board Committee

In April 2014, the Company announced a revised schedule (the "Revised Timeline") for the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") project. In light of the public's concern about the Revised Timeline, the Board resolved, on 29 April 2014, to establish an Independent Board Committee (the "IBC") to review the background of and reasons for the Revised Timeline for the XRL project. The IBC was also asked to advise on the manner in which the Company can deliver the XRL project in a transparent and timely manner and in accordance with the Company's responsibilities under the Entrustment Agreements made between the Company and the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") dated 24 November 2008 and 26 January 2010 respectively (the "XRL Entrustment Agreements").

The IBC is chaired by Professor Frederick Ma Si-hang with five other Members comprising the following Independent Non-executive Directors of the Company – Dr. Dorothy Chan Yuen Tak-fai, Mr. Edward Ho Sing-tin, Mr. Alasdair George Morrison, Mr. Abraham Shek Lai-him, and Mr. T. Brian Stevenson.

On 16 July 2014, the IBC issued its first report (the "First Independent Committee Report") regarding XRL and, as a result of its findings, the IBC recommended certain enhancements to the Company's systems and processes, including enhanced project reporting, establishment of a Capital Works Committee (the "CWC") (which should be chaired by an Independent Non-executive Director of the Company) and a more strategic approach to corporate communications.

The IBC will prepare a second report on the manner in which the Company can deliver the XRL project in a transparent

and timely manner and in accordance with the Company's obligations under the XRL Entrustment Agreements. The IBC has appointed two independent experts who have specific expertise in relation to management of projects of this type to assist it with its review. It is currently expected that this second report will be issued in October 2014.

Establishment of Two New Board Committees

To maintain the highest standard of corporate governance, the Board, on 21 August 2014, approved the setting up of two new committees, the CWC and the Risk Committee (the "RisC").

The principal duties of the CWC are to oversee any project involving design and/or construction with a capital value in excess of a value as assessed by the Board and to report to the Board on the progress of the relevant projects, from both a programme and cost perspective.

As regards the RisC, its principal duties are to monitor the Company's risk profile and to review the Company's top risks (including, without limitation, operational, service performance, regulatory, financial and organisational risks), enterprise risk management framework and effectiveness.

The terms of reference of the CWC and the RisC are available on the websites of the Company (www.mtr.com.hk) and The Stock Exchange of Hong Kong Limited ("HKSE").

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 six months' period ended 30 June 2014 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 Inside Information (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) of the Company, have also 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 to keep unpublished price sensitive and Inside Information of the Company in strict confidence.

Corporate Governance and Other Information

Members of the Board and the Executive Directorate

Changes in Composition

As at 25 August 2014, the respective compositions of the Board and the Executive Directorate of the Company are as follows:

Members of the Board

Non-executive Directors	Independent Non-executive Directors
Dr. Raymond Ch'ien Kuo-fung (<i>Chairman</i>) Professor Chan Ka-keung, Ceajer (Secretary for Financial Services and the Treasury) Secretary for Transport and Housing (Professor Anthony Cheung Bing-leung) Commissioner for Transport (Ingrid Yeung Ho Poi-yan)	Pamela Chan Wong Shui Dr. Dorothy Chan Yuen Tak-fai Vincent Cheng Hoi-chuen Christine Fang Meng-sang Edward Ho Sing-tin Professor Frederick Ma Si-hang Alasdair George Morrison Ng Leung-sing Abraham Shek Lai-him T. Brian Stevenson

Members of the Executive Directorate

Lincoln Leong Kwok-kuen (<i>Acting Chief Executive Officer</i>) Morris Cheung Siu-wa (<i>Human Resources Director</i>) Chew Tai Chong (<i>Projects Director</i>) Jacob Kam Chak-pui (<i>Operations Director</i>)	Stephen Law Cheuk-kin (<i>Finance Director</i>) Gillian Elizabeth Meller (<i>Legal Director and Secretary</i>) David Tang Chi-fai (<i>Property Director</i>) Jeny Yeung Mei-chun (<i>Commercial Director</i>)
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Mr. Jay Herbert Walder stepped down as the Company's Chief Executive Officer (the "CEO") with effect from 15 August 2014. His position as a Member of the Board and a Member of the Executive Directorate also ended on that date.

The Company is undertaking a worldwide search to identify the right candidate for the post of the CEO.

Mr. Lincoln Leong Kwok-kuen, formerly the Deputy CEO, assumed the role of Acting CEO to manage the duties and responsibilities of the CEO starting from 16 August 2014 until a new CEO is appointed by the Company.

Mr. Chew Tai Chong, currently the Company's Projects Director, will retire from that position and as a Member of the Executive Directorate with effect from 28 October 2014.

On 15 August 2014, the Company announced that Dr. Philco Wong Nai-keung, formerly General Manager – Shatin to Central Link, was appointed as the new Projects Director and a Member of the Executive Directorate with effect from 28 October 2014. To facilitate a smooth transition, Dr. Wong was appointed Projects Director – Designate, of the Company with effect from 18 August 2014.

Changes in Information

Changes in information of Directors which are required to be disclosed pursuant to the requirement of Rule 13.51B (1) of the Listing Rules are set out below.

Biography

Dr. Raymond Ch'ien Kuo-fung

Cessation of appointment

- Convenience Retail Asia Limited (Independent Non-executive Director) (until 31 March 2014)

Mrs. Pamela Chan Wong Shui

Cessation of appointment

- The HKSAR Government Scholarship Fund Steering Committee (Member) (until 14 May 2014)

Mr. Vincent Cheng Hoi-chuen

New appointment

- Hutchison Whampoa Limited (Independent Non-executive Director) (since 10 July 2014)

Ms. Christine Fang Meng-sang

New appointments

- The Faculty of Social Sciences of The University of Hong Kong (Professor of Practice) (since 1 April 2014)
- The Law Reform Commission of Hong Kong (Member) (since 1 March 2014)

Cessation of appointments

- Hong Kong Housing Authority (Member) (until 31 March 2014)
- Charities Sub-committee of The Law Reform Commission of Hong Kong (Member) (until 28 February 2014)

Mr. Ng Leung-sing

New appointments

- The Hong Kong Mortgage Corporation Limited (Director) (since 7 April 2014)
- Hanhua Financial Holding Co., Ltd.* (Independent Non-executive Director) (since 17 June 2013)

* the company became listed on HKSE on 19 June 2014.

Mr. Abraham Shek Lai-him

Cessation of appointment

- Hsin Chong Construction Group Ltd. (Independent Non-executive Director) (until 11 May 2014)

Mr. T. Brian Stevenson

New appointment

- The Hong Kong Mortgage Corporation Limited (Director) (since 7 April 2014)

Professor Chan Ka-keung, Ceajer

Other major appointment

- Hongkong International Theme Parks Limited (Director) (by virtue of his official capacity as the Secretary for Financial Services and the Treasury)

Mr. Lincoln Leong Kwok-kuen

New appointment

- Quality Assurance Council of the University Grants Committee (Chairman) (since 1 April 2014)

Dr. Jacob Kam Chak-pui

New appointment

- Vocational Training Council (Member) (since 1 July 2014)

Training and Continuous Professional Development

For continuous professional development, Members of the Board and the Executive Directorate are encouraged to attend relevant seminars and courses at the cost of the Company.

Materials on the subject of corporate governance are also provided to Members of the Board, their Alternate Directors and Members of the Executive Directorate from time to time to keep them abreast of latest developments on this front. In January 2014, a copy of the research on "Board Diversity in Hong Kong: Directors' Perspective 2013" issued by Community Business, a Hong Kong non-profit organisation, was circulated to them. In July 2014, a set of materials prepared by the Company's external legal advisor on the new connected transactions regime and dealing in the Company's securities by Members of the Board was also circulated.

In addition, briefings on new and existing legal/regulatory requirements are arranged wherever appropriate. At a Special Board Meeting in May 2014, a briefing on "Legal and Regulatory issues - Appointment of Directors" was given to Members of the Board and the Executive Directorate by the Company's external legal advisor.

Board Meetings

The Board held three regular Meetings during the six months' period ended 30 June 2014. At these regular Meetings, the Board reviewed and discussed matters relating to the business and financial performance of the Company. In addition, other key matters discussed at these Board Meetings included:

- (i) Directors' Manual Update;
- (ii) Dividend Policy;
- (iii) MTR Corporate Strategy;
- (iv) Review of improvement actions taken following several train service incidents;
- (v) Principles for revising MTR fares under the Fare Adjustment Mechanism in 2014;
- (vi) Proceedings of Audit Committee Meetings;
- (vii) Report on Internal Control System for the year ended 31 December 2013;
- (viii) 2013 Annual Report and Accounts;
- (ix) Annual Review of Size, Structure and Composition of the Board;
- (x) Election / Re-election of Directors at the 2014 Annual General Meeting (the "AGM");
- (xi) Amendments to the Company's Memorandum & Articles of Association;
- (xii) 2014 AGM;

Corporate Governance and Other Information

- (xiii) Annual Review of Corporate Governance Functions;
- (xiv) Sustainability Report 2013;
- (xv) Express Rail Link Update;
- (xvi) New Project Opportunities outside Hong Kong;
- (xvii) Property Development Tenders; and
- (xviii) Contract Awards relating to Railway Projects.

Special and Private Board Meetings

The Chairman also held 11 Special and three Private Board Meetings during the six months' period ended 30 June 2014.

Special Board Meetings

At these 11 Special Board Meetings, different subjects were covered including updates on the progress of the Hong Kong railway projects, new project opportunities outside Hong Kong and the Company's property development tenders.

Private Board Meetings

At these three Private Board Meetings, amongst the other things, the Board conducted an annual review of the contributions of each Non-executive Director, the size, structure and composition of the Board, and the performance of Members of the Executive Directorate, and held discussions relating to the delay in the XRL project.

Board Committee Meeting

A meeting of the board committee was held on 11 March 2014 to consider and approve:

- (i) the final dividend for the year ended 31 December 2013;
- (ii) the 2013 Annual Report and Accounts with recommendation of the same for shareholders' approval at the 2014 AGM; and
- (iii) the Preliminary Announcement of Results.

Communication with Shareholders

Annual General Meeting

The Company's 2014 AGM was held on 8 May 2014. The Chairman continued his practice of proposing separate resolutions for each substantially separate matter.

In addition to the receipt and consideration of annual Audited Accounts, re-appointment of auditors, and granting of general mandates for the issue and repurchase of the Company's shares, shareholders of the Company also approved, with more than 97% votes in favour in each case, the following resolutions:

- Re-election of Mr. Alasdair George Morrison, Mr. Ng Leung-sing and Mr. Abraham Shek Lai-him and election of Mrs. Pamela Chan Wong Shui, Dr. Dorothy Chan Yuen Tak-fai and Professor Frederick Ma Si-hang as Members of the Board;
- Declaration of a final dividend of HK\$0.67 per share for the year ended 31 December 2013, giving a full year dividend of HK\$0.92 per share, which was an increase of 16.5% compared to dividend declared for 2012;
- Authorization for Members of the Board to offer a scrip dividend alternative in respect of some or all of the dividends declared or paid in the period up to and including the company's annual general meeting which is held in the fifth year after the date on which the resolution is passed (i.e. in 2019); and
- Adoption of the new amended and restated Articles of Association of the Company (the "AoA").

All resolutions at the 2014 AGM were passed by way of a poll, and the poll results were posted on the respective websites of the Company (www.mtr.com.hk) and the HKSE.

For the benefit of the Company's shareholders who did not attend the 2014 AGM, the whole proceedings were recorded and posted on the Company's website (www.mtr.com.hk) the same evening.

Procedures for Shareholders Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "CO") (which came into operation on 3 March 2014) and the AoA.

In light of the CO provision, the Company has updated the "Appointment Procedure for Members of the Board of the Company" which is available on the Company's website (www.mtr.com.hk).

Constitutional Documents

As mentioned above, shareholders approved and adopted at the 2014 AGM the AoA which is now available on the Company's website (www.mtr.com.hk) and the HKSE's website.

Communication with the Public

In addition to communicating with our shareholders and institutional investors, the Company has formulated a strategic communications plan to enhance the Company's engagement with the public in a more open and transparent manner. One of the initiatives is to hold monthly briefings with the media on the Company's train service performance and progress of its rail projects, as well as other significant issues.

Board Members' and Executive Directorate's Interests in Shares

As at 30 June 2014, 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 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 HKSE pursuant to the Model Code were as follows:

Interests in Shares and Underlying Shares of the Company

Member of the Board and/ or the Executive Directorate	Number of Ordinary Shares held				Derivatives Share Options		Total interests	Percentage of aggregate interests to total number of shares in issue
	Personal [*] interests	Family [†] interests	Other interests	Corporate interests	Personal [*] interests	Other		
Raymond Ch'ien Kuo-fung	52,330	–	–	–	–	–	52,330	0.00090
Jay Herbert Walder (Note 2)	–	–	–	–	888,500 (Note 1)	230,000 (Note 2)	1,118,500	0.01928
Pamela Chan Wong Shui	9,002	1,675	–	–	–	–	10,677	0.00018
Vincent Cheng Hoi-chuen	1,675	1,675	–	–	–	–	3,350	0.00006
Christine Fang Meng-sang	1,712	–	–	–	–	–	1,712	0.00003
Frederick Ma Si-hang	–	70,000 (Note 3)	70,000 (Note 3)	–	–	–	70,000	0.00121
T. Brian Stevenson	5,153	–	–	–	–	–	5,153	0.00009
Ingrid Yeung Ho Poi-yan	1,116	–	–	–	–	–	1,116	0.00002
Lincoln Leong Kwok-kuen	193,000	–	–	23,000 (Note 4)	967,000 (Note 1)	–	1,183,000	0.02039
Morris Cheung Siu-wa	13,290	–	–	–	467,500 (Note 1)	–	480,790	0.00829
Chew Tai Chong	–	–	–	–	835,000 (Note 1)	–	835,000	0.01439
Jacob Kam Chak-pui	2,283	–	–	–	734,500 (Note 1)	–	736,783	0.01270
Stephen Law Cheuk-kin	–	–	–	–	196,000 (Note 1)	–	196,000	0.00338
Gillian Elizabeth Meller	–	–	–	–	515,500 (Note 1)	–	515,500	0.00889
David Tang Chi-fai	600	–	–	–	(i) 584,000 (Note 1) (ii) 22,000 (Note 5)	–	606,600	0.01046
Jeny Yeung Mei-chun	13,400	–	–	–	618,000 (Note 1)	–	631,400	0.01088

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.
- On appointment as the CEO of the Company, 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 represented 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 expired. An amount of HK\$8,805,000 was paid to him on 2 July 2014 (at a price of HK\$29.35 per share by reference to the average closing price of the Company's shares on the 20 business days immediately preceding 30 June 2014).
On 30 August 2013, Mr. Walder was re-appointed as the CEO until 31 August 2015. He was granted a derivative interest in respect of 230,000 shares in the Company within the meaning of Part XV of the SFO. That derivative interest represented his entitlement to be paid an equivalent value in cash of 230,000 shares in the Company upon completion of his extended term of office on 31 August 2015.
On 16 July 2014, the Company announced that Mr. Walder would step down as the CEO of the Company from 15 August 2014. On 15 August 2014, an amount of HK\$725,428 was paid to Mr. Walder, being the equivalent value in cash of 24,378 shares (at a price of HK\$29.7575 per share by reference to the average closing price of the Company's shares on the 20 business days immediately preceding 25 July 2014). Mr. Walder's remaining derivative interest in 205,622 shares in the Company lapsed on 15 August 2014.
- The 70,000 shares are indirectly held by The Ma Family Trust established by Professor Frederick Ma Si-hang for himself and his family of which his spouse is also a beneficiary.
- 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.

* 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 2014	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 2014	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	5/10/2006	94,000	29/9/2007 – 29/9/2016	62,500	–	–	–	–	19.732	62,500	–

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 immediately before 3 March 2014.
- 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 2014	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 2014	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	–	130,500	–	–	27.48	391,500	–
	6/5/2013	497,000	26/4/2014 – 26/4/2020	497,000	–	166,000	–	–	31.40	497,000	–
Lincoln Leong Kwok-kuen	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	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	–	67,000	–	–	27.48	201,000	–
	6/5/2013	256,000	26/4/2014 – 26/4/2020	256,000	–	85,500	–	–	31.40	256,000	–
Morris Cheung Siu-wa	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	–	–	–	–	27.73	35,000	–
	20/12/2010	65,000	16/12/2011 – 16/12/2017	65,000	–	–	–	–	28.84	65,000	–
	30/3/2012	122,000	23/3/2013 – 23/3/2019	122,000	–	41,000	–	–	27.48	122,000	–
	6/5/2013	180,500	26/4/2014 – 26/4/2020	180,500	–	60,500	–	–	31.40	180,500	–
Chew Tai Chong	18/6/2009	85,000	12/6/2010 – 12/6/2016	85,000	–	–	–	–	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	–	61,500	–	–	27.48	184,500	–
	6/5/2013	225,500	26/4/2014 – 26/4/2020	225,500	–	75,500	–	–	31.40	225,500	–
Jacob Kam Chak-pui	13/12/2007	75,000	10/12/2008 – 10/12/2014	75,000	–	–	–	–	27.60	75,000	–
	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	–	–	–	–	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	–	57,500	–	–	27.48	172,000	–
6/5/2013	202,500	26/4/2014 – 26/4/2020	202,500	–	67,500	–	–	31.40	202,500	–	
Stephen Law Cheuk-kin	1/11/2013	196,000	25/10/2014 – 25/10/2020	196,000	–	–	–	–	29.87	196,000	–
Gillian Elizabeth Meller	12/12/2007	55,000	10/12/2008 – 10/12/2014	18,000	–	–	–	–	27.60	18,000	–
	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	–	53,000	–	–	27.48	158,500	–
	6/5/2013	184,000	26/4/2014 – 26/4/2020	184,000	–	61,500	–	–	31.40	184,000	–
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	–	54,500	–	–	27.48	163,500	–
6/5/2013	182,500	26/4/2014 – 26/4/2020	182,500	–	61,000	–	–	31.40	182,500	–	

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 2014	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 2014	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
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	–	54,000	–	–	27.48	161,000	–
	6/5/2013	187,000	26/4/2014 – 26/4/2020	187,000	–	62,500	–	–	31.40	187,000	–
Other eligible employees	12/12/2007	2,365,000	10/12/2008 – 10/12/2014	650,000	–	–	–	135,000	27.60	515,000	29.47
	13/12/2007	1,665,000	10/12/2008 – 10/12/2014	1,176,000	–	–	–	120,000	27.60	1,056,000	29.37
	14/12/2007	1,005,000	10/12/2008 – 10/12/2014	550,000	–	–	–	135,000	27.60	415,000	29.40
	15/12/2007	435,000	10/12/2008 – 10/12/2014	88,000	–	–	–	–	27.60	88,000	–
	17/12/2007	835,000	10/12/2008 – 10/12/2014	623,000	–	–	–	35,000	27.60	588,000	29.25
	18/12/2007	445,000	10/12/2008 – 10/12/2014	190,000	–	–	–	–	27.60	190,000	–
	19/12/2007	115,000	10/12/2008 – 10/12/2014	80,000	–	–	–	40,000	27.60	40,000	29.10
	20/12/2007	190,000	10/12/2008 – 10/12/2014	190,000	–	–	–	–	27.60	190,000	–
	24/12/2007	118,000	10/12/2008 – 10/12/2014	118,000	–	–	–	25,000	27.60	93,000	29.35
	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	–
	28/3/2008	255,000	26/3/2009 – 26/3/2015	139,000	–	–	–	–	26.52	139,000	–
	31/3/2008	379,000	26/3/2009 – 26/3/2015	192,000	–	–	–	–	26.52	192,000	–
	1/4/2008	261,000	26/3/2009 – 26/3/2015	164,000	–	–	–	20,000	26.52	144,000	29.40
	2/4/2008	296,000	26/3/2009 – 26/3/2015	219,000	–	–	–	23,000	26.52	196,000	27.75
	3/4/2008	171,000	26/3/2009 – 26/3/2015	75,000	–	–	–	–	26.52	75,000	–
	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	236,000	–	–	–	–	26.52	236,000	–
	8/4/2008	174,000	26/3/2009 – 26/3/2015	69,000	–	–	–	23,000	26.52	46,000	29.50
	9/4/2008	85,000	26/3/2009 – 26/3/2015	43,000	–	–	–	–	26.52	43,000	–
	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	89,000	–	–	–	–	26.52	89,000	–
	12/4/2008	48,000	26/3/2009 – 26/3/2015	31,000	–	–	–	–	26.52	31,000	–
	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	107,000	–	–	–	–	26.52	107,000	–
	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	20,000	–	–	–	–	18.30	20,000	–
	9/12/2008	1,293,000	8/12/2009 – 8/12/2015	257,000	–	–	–	–	18.30	257,000	–
	10/12/2008	2,046,400	8/12/2009 – 8/12/2015	826,400	–	–	–	106,200	18.30	720,200	29.43
	11/12/2008	2,394,200	8/12/2009 – 8/12/2015	1,047,500	–	–	–	125,000	18.30	922,500	29.24
	12/12/2008	1,416,500	8/12/2009 – 8/12/2015	658,000	–	–	–	56,500	18.30	601,500	28.24
	13/12/2008	84,500	8/12/2009 – 8/12/2015	40,500	–	–	–	–	18.30	40,500	–
14/12/2008	88,200	8/12/2009 – 8/12/2015	45,000	–	–	–	–	18.30	45,000	–	
15/12/2008	1,084,700	8/12/2009 – 8/12/2015	468,200	–	–	–	115,000	18.30	353,200	29.02	
16/12/2008	581,500	8/12/2009 – 8/12/2015	289,000	–	–	–	45,000	18.30	244,000	28.64	
17/12/2008	513,500	8/12/2009 – 8/12/2015	260,500	–	–	–	45,000	18.30	215,500	29.25	
18/12/2008	611,500	8/12/2009 – 8/12/2015	126,500	–	–	–	25,000	18.30	101,500	27.90	
19/12/2008	198,000	8/12/2009 – 8/12/2015	63,000	–	–	–	–	18.30	63,000	–	
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	233,500	–	–	–	8,000	18.30	225,500	27.90	
23/12/2008	306,000	8/12/2009 – 8/12/2015	118,000	–	–	–	30,000	18.30	88,000	29.45	
24/12/2008	500,500	8/12/2009 – 8/12/2015	182,000	–	–	–	73,000	18.30	109,000	27.89	
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	59,000	–	–	–	–	18.30	59,000	–	
18/6/2009	170,000	12/6/2010 – 12/6/2016	45,000	–	–	–	–	24.50	45,000	–	
6/7/2009	45,000	12/6/2010 – 12/6/2016	45,000	–	–	–	–	24.50	45,000	–	
9/12/2009	670,000	8/12/2010 – 8/12/2016	520,000	–	–	–	–	26.85	520,000	–	
10/12/2009	2,381,000	8/12/2010 – 8/12/2016	1,369,000	–	–	–	90,000	26.85	1,279,000	28.41	
11/12/2009	2,297,000	8/12/2010 – 8/12/2016	1,718,000	–	–	–	90,000	26.85	1,628,000	29.18	
12/12/2009	610,000	8/12/2010 – 8/12/2016	385,000	–	–	–	–	26.85	385,000	–	
13/12/2009	19,000	8/12/2010 – 8/12/2016	12,500	–	–	–	12,500	26.85	–	29.55	

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 2014	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 2014	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Other eligible employees	14/12/2009	2,443,000	8/12/2010 – 8/12/2016	1,826,500	–	–	–	90,000	26.85	1,736,500	29.04
	15/12/2009	2,773,000	8/12/2010 – 8/12/2016	1,892,500	–	–	–	134,000	26.85	1,758,500	29.43
	16/12/2009	1,550,000	8/12/2010 – 8/12/2016	941,500	–	–	–	91,000	26.85	850,500	28.79
	17/12/2009	1,000,000	8/12/2010 – 8/12/2016	615,000	–	–	–	25,000	26.85	590,000	27.75
	18/12/2009	389,000	8/12/2010 – 8/12/2016	280,000	–	–	–	45,000	26.85	235,000	29.45
	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	329,000	–	–	–	25,000	26.85	304,000	29.55
	22/12/2009	256,000	8/12/2010 – 8/12/2016	172,000	–	–	–	–	26.85	172,000	–
	21/7/2010	270,000	28/6/2011 – 28/6/2017	90,000	–	–	–	45,000	27.73	45,000	29.28
	16/12/2010	194,000	16/12/2011 – 16/12/2017	194,000	–	–	–	–	28.84	194,000	–
	17/12/2010	4,737,000	16/12/2011 – 16/12/2017	4,068,000	–	–	–	116,000	28.84	3,952,000	29.19
	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	98,000	–	–	–	–	28.84	98,000	–
	20/12/2010	4,789,500	16/12/2011 – 16/12/2017	3,798,000	–	–	65,000	82,000	28.84	3,651,000	29.30
	21/12/2010	3,020,000	16/12/2011 – 16/12/2017	2,477,000	–	–	25,000	81,000	28.84	2,371,000	29.41
	22/12/2010	975,000	16/12/2011 – 16/12/2017	913,000	–	–	17,000	77,000	28.84	819,000	29.37
	23/12/2010	189,000	16/12/2011 – 16/12/2017	119,000	–	–	–	–	28.84	119,000	–
	7/7/2011	215,000	27/6/2012 – 27/6/2018	163,000	–	70,000	–	–	26.96	163,000	–
	30/3/2012	15,363,000	23/3/2013 – 23/3/2019	14,396,500	–	4,938,000	163,000	467,000	27.48	13,766,500	28.80
	6/5/2013	19,690,000	26/4/2014 – 26/4/2020	19,357,000	–	6,464,000	384,500	–	31.40	18,972,500	–
	1/11/2013	188,500	25/10/2014 – 25/10/2020	188,500	–	–	–	–	29.87	188,500	–
	30/5/2014	19,895,500	23/5/2015 – 23/5/2021	–	19,895,500	–	–	–	28.65	19,895,500	–

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 immediately before 3 March 2014.
- 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

During the six months' period ended 30 June 2014, 19,895,500 options to subscribe for shares of the Company were granted to 536 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 the options is set out below. Pursuant to the terms of the 2007 Share Option

Scheme, 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 fair value per option granted, estimated at the date of grant using the Black-Scholes option pricing model is as follows:

Date granted	Closing price per share immediately before the date of grant (HK\$)	Exercise price (HK\$)	Estimated risk-free interest rate (%)	Expected life (Years)	Estimated Volatility	Expected dividend per share (HK\$)	Weighted average fair value per option granted (HK\$)
30/5/2014	29.40	28.65	0.76	3.5	0.14	0.92	2.11

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' period ended 30 June 2014, 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 HKSE 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 all the voting shares of the Company and the number of shares in which it was interested as at 30 June 2014 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 all the voting shares
The Financial Secretary Incorporated ("FSI") (in trust on behalf of the Government)	4,434,552,207	76.44

The Company has been informed by the Government that, as at 30 June 2014, approximately 0.40% of the shares of the Company (not included in the FSI shareholding set out in the above table) 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.

Other Persons' Interests

Save as disclosed in the sections headed "Board Members' and Executive Directorate's Interests in Shares" and "Substantial Shareholders' Interests", as at 30 June 2014, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO or otherwise notified to the Company and the HKSE.

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

As at 30 June 2014, the Group had borrowings of HK\$15,026 million with maturities ranging from 2014 to 2043 and undrawn committed banking facilities of HK\$7,946 million, which were subject to the condition that the Government, being the Company's controlling shareholder, owns more than half of all the voting shares of the Company. Failure to satisfy such condition may result in immediate repayment of the borrowings being demanded and cancellation of the undrawn committed banking facilities.

Purchase, Sale or Redemption of Listed Securities

The Group redeemed its US\$600 million bonds on 21 January 2014. The bonds were listed on the London Stock Exchange prior to the redemption.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the six months ended 30 June 2014.

Closure of Register of Members

The Register of Members of the Company was closed from 10 September 2014 to 15 September 2014 (both dates inclusive), during which no transfer of shares could be registered. To qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must have been 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 8 September 2014. The 2014 interim dividend, with a scrip dividend option, is expected to be distributed on or about 30 October 2014 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 15 September 2014.