



Building on Our Vision and Experience

Greater Expertise and Enlarged Resources



London





The Company's operating concessions now extend to London and Stockholm.

Mainland and Overseas Growth

We made good progress in our mainland and overseas business. Overseas, our joint venture London Overground Rail Operations Limited (LOROL) brought steady improvements to the London Overground while in Sweden, we were awarded in January 2009 the franchise rights to operate the Stockholm Metro concession.

In Mainland of China, good progress was made on the Beijing Metro Line 4 (BJL4) project, while approval has been obtained from the National Development and Reform Commission (NDRC) in January 2009 for the Shenzhen Metro Line 4 (SZL4) project. In November 2008, we entered into Agreements in Principle for the operation and maintenance of Shenyang Metro Lines 1 and 2 and a Memorandum of Understanding ("MOU") for the operation and maintenance of the Daxing Line in Beijing. In January 2009, we entered into a Principle Agreement for the investment, construction and operation of Hangzhou Metro Line 1.

Mainland of China

In Beijing, the Public-Private-Partnership (PPP) company comprising MTR Corporation (49%), Beijing Infrastructure Investment Co. Ltd. (2%) and Beijing Capital Group (49%), is making steady progress with construction work on the BJL4 project. BJL4 is expected to commence operation in the fourth quarter of 2009.

Train testing and production proceeded on schedule. 20 trains were completed and tested by January 2009 and the first 10 trains were delivered to Beijing. Electrical & mechanical installation began in 24 stations, with equipment design and manufacturing well on track. Under the operation training programme at Beijing Communication School, 271 train operator trainees and station controller trainees had completed the training by January 2009.

By year end civil works construction, which is the responsibility of Beijing Municipal Government, was nearing completion with track laying well advanced.



Signing ceremony for the Principle Agreement of Hangzhou Metro Line 1.

Beijing Metro Line 4 Equipment Design and Manufacturing

Well on Track

Electrical & Mechanical Installation

in 24 Stations Began

271 Operations Trainees Completed Training

in January 2009

London Overground Enhanced

Operational Performance

Station Upgrade Works

Undertaken in 31 Stations

Stockholm Metro

Awarded

Stockholm

Metro concession

in January 2009

108 Kilometres of Total Route Length and 100 Stations





Delivery of new trains for BJL4.

Together with our PPP company partners, we also signed a MOU on 27 November 2008 with Beijing Metro Daxing Line Investment Company Limited, a wholly owned subsidiary of Beijing Municipal Government, for the operation and maintenance of the Daxing Line of the Beijing Metro Network. Under the MOU, the PPP company will proceed with further discussions for the operation and maintenance of the Daxing Line, a 22-km extension of BJL4, at a fee to be agreed. The proposed operation and maintenance period shall commence from the date of trial operations of the Daxing Line and conclude upon the expiry of the 30 years concession period for BJL4.

In Shenzhen, approval has been obtained from the NDRC for the SZL4 project comprising investment and construction of Phase 2 of Line 4, and the operation of Phase 1 and Phase 2 for a term of 30 years. We are now completing final regulatory processes for signing the Concession Agreement in the near future. As indicated previously, the public sector funding support for this project will be in the form of cash grants from the Shenzhen Municipal Government. Project works will be expanded to cover the whole line. Meanwhile, preparation works for taking over SZL4 Phase 1 are also underway.

Elsewhere in the Mainland, after being selected as the "preferred bidder" in July 2008, the Company entered into a Principle Agreement in January 2009 for a PPP project with Hangzhou

Municipal Government and Hangzhou Metro Group Company Limited for the investment, construction and operation of Hangzhou Metro Line 1.

The Principle Agreement sets out the framework for the Company to further discuss with Hangzhou Municipal Government the Concession Agreement for investment in Hangzhou Metro Line 1 and for the operational rights for Hangzhou Metro Line 1 for a period of 25 years.

The project will be divided into Part A and Part B representing approximately 63% and 37% of the RMB 22billion investment respectively. Part A, being the civil construction of the metro system, is being undertaken and funded by the Hangzhou Metro Group Company Limited. The investment in and construction of Part B, which mainly covers the electrical and mechanical system and operation of the entire metro line, will be undertaken by the Cooperative Joint Venture, which will be owned by the Company (49%) and the Hangzhou Metro Group Company Limited (51%).

The 48-km Hangzhou Metro Line 1 consists of 41 kilometres of underground section and 7 kilometres of at-grade and elevated sections. The line is expected to commence service in 2012.

At the time of entering into the Principle Agreement with the Hangzhou partners, we also entered into a strategic agreement with the same partners to explore property development opportunities along the Hangzhou metro lines.

In November 2008, we entered into three Agreements in Principle with Shenyang Municipal Government and Shenyang Metro Group Company Limited: for the operation and maintenance of the 50-km Shenyang Metro Lines 1 and 2 for a term of 30 years; for a study of town planning and exploring property development opportunities along the corridors of Lines 1 and 2; and for conducting planning studies for future Shenyang Metro Lines 4, 9 and 10 as well as the extension of Shenyang Metro Lines 1 and 2. A Joint Venture Company comprising MTR Corporation (49%) and Shenyang Metro Group Company Limited (51%) shall be set up to work towards an Operation and Maintenance Franchise Agreement with the Shenyang Municipal Government. Lines 1 and 2 are expected to begin service by 2010 and 2012 respectively.

Overseas

Our strategy overseas continues to be “asset light”, focusing on operating concessions in the railway and metro markets. In the UK, our 50:50 joint venture, LOROL brought steady improvements to the London Overground following our takeover of the concession in November 2007. London Overground is a semi-orbital route serving West, North and East London and will be a vital link for the 2012 Olympic Games. The total route network measures 107.2 kilometres and under the concession, LOROL will eventually manage 55 of the 78 stations in the network. Since taking over the concession, operational performance has been enhanced and 31 stations have undergone station upgrading works. LOROL has reduced ticketless travel, improved punctuality, which is running ahead of the contractual target, and introduced full staffing of stations throughout the hours of operation to provide better service and security.

In Sweden, we submitted our bid for the Stockholm Metro concession in August 2008, and were pleased to be awarded the franchise in January 2009. The franchise has the rights to

operate the system for eight years beginning 2 November 2009 with an option for the Stockholm authorities to extend the agreement for an additional six years. The 108-km Stockholm Metro consists of three lines and 100 stations. 1.2 million passenger trips are made each day. The concession includes train and station operations as well as rolling stock maintenance. For servicing, maintenance and cleaning of trains, we will team up with Norway’s Mantena, a leading maintainer of rolling stock. One of the losing bidders is taking action against the Stockholm tendering authorities regarding the award of this franchise to MTR Corporation. We await the outcome of such action.

In Australia, a joint venture comprising MTR Corporation (60%), John Holland Pty Ltd (20%) and United Group Rail Services Ltd (20%) was short-listed in September 2008 to submit a bid in April 2009 for the Melbourne Train franchise. The Melbourne train network consists of 15 routes, 213 train stations and a total of 386 kilometres. In 2006/07, the network serviced the metropolitan area of Melbourne with an annual patronage of 178.6 million passengers. In Ireland, we submitted a bid in February 2009 for the operations of the Dublin Metro North.



Punctuality has improved on London Overground.



London Overground serves West, North and East London.