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Dear Stakeholders,

I am pleased to report to you the annual results of MTR Corporation for 2009, a year which we celebrated our 30th anniversary of serving the people of Hong Kong.

Despite uncertain economic conditions and the outbreak of human swine influenza, our financial performance remained steady. Our recurrent businesses showed their resilience while our property development business performed well. Our strategy for future growth also remained firmly on track, with our projects for extending the Hong Kong network and for expanding our operations in the Mainland of China and overseas making good progress.



Financial Results

We achieved satisfactory financial results for the year, with revenue rising by 6.6% to HK\$18,797 million, mainly due to the takeover of our new franchises in Stockholm and Melbourne, and operating profit from railway and related businesses before depreciation and amortisation increasing by 1.9% to HK\$9,502 million. Excluding the change in fair value of investment properties and the related deferred tax, net profit from underlying businesses attributable to equity shareholders decreased by 10.8% to HK\$7,303 million, mainly due to lower property development profit in 2009 when compared to 2008 as a result of the timing of development project bookings as well as the benefit from the Hong Kong Profits Tax rate reduction in 2008, which was not repeated in 2009. Including investment property revaluation, our net profit attributable to equity shareholders was HK\$9,639 million and earnings per share were HK\$1.69. Your Board has declared a final dividend of HK\$0.38 per share, giving a full year dividend of HK\$0.52 per share, which is an increase of 8.3% compared to the previous year. Going forward, subject to the financial conditions of the Company, the Board intends to follow a progressive dividend policy.

Growth Strategy

Expansion of the network in Hong Kong forged ahead with the opening of two new lines, extending our services to even more communities, new catchment areas and new customers. Following Government approvals, construction has commenced on the West Island Line and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the first two of our five new strategic extensions. Planning and design of the remaining three extensions, the South Island Line (East), the Kwun Tong Line Extension and the Shatin to Central Link is well underway.

Our Mainland of China and overseas businesses continued to make steady progress. In September 2009, Beijing Metro Line 4 (BJL4), opened for passenger service. Concession Agreements for the Shenzhen Metro Line 4 Build-Operate-Transfer (BOT) project and for the operation and maintenance of Shenyang Metro Lines 1 and 2 were signed in March 2009 and May 2009 respectively. On 30 December 2009, our joint venture company Beijing MTR Corporation Limited signed the Concession Agreement for the operation and maintenance of the Daxing Line, an extension of BJL4. In March 2010, we signed the Concession Agreement for the Hangzhou Metro Line 1 Public-Private-Partnership (PPP)

project, which is subject to approval by relevant authorities in the Mainland of China. In November 2009, our wholly owned subsidiary began operation of the Stockholm Metro, and in the same month our 60% owned subsidiary, Metro Trains Melbourne, took over operation of the metropolitan train network in Melbourne. The route length of the metro lines in operation in Beijing, Stockholm and Melbourne referred to above totals 508 km with over 6,900 staff working for these lines.

Sustainability and Corporate Responsibility

Sustainability drives how we develop and manage our business, grow our people, partner with our contractors and suppliers and engage our stakeholders. The Brundtland Commission, formally known as the World Commission on Environment and Development, defined sustainable development as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs.” It is in this same spirit that we maintain our commitment to the well-being of the communities that we serve by fostering sustainable development in all our activities. As our new rail lines reach out across Hong Kong and our operations expand into the Mainland of China and overseas, we continue to engage with the community and our stakeholders through listening and acting on society's aspirations and needs.

Guided by our corporate Climate Change Policy issued in 2006, our focus on managing carbon emissions remains strong. Several of the key actions under the Policy have been adopted and measured for impact under our internal Enterprise Risk Management Framework, particularly the control of electricity consumption. Over the past five years, we have successfully reduced our energy consumption from 5.94 kWh per revenue car-km in 2005 to 4.86 kWh in 2009. This reduction is mainly attributable to the implementation of various energy saving initiatives such as replacement of motor-alternators with static inverters for our trains and optimisation of station environmental control systems. Asset efficiency and energy efficiency have been introduced as key considerations in the design of our capital works projects. We also integrate life-cycle environmental concerns into the planning, design and construction of our new railway projects and property developments.

In 2009, we proactively managed our greenhouse gas emissions from operating railways and managed properties. As a founding member of the Hong Kong Green Purchasing Charter, we adopted a new Supplier Code of Practice that incorporates best practices arising from previous surveys and workshops with our main suppliers and contractors.

■ **Many factors have contributed to our past success, key amongst which are the soundness of our Board governance, the excellence of our management and staff that numbered 20,150 at the end of 2009, the loyalty of our customers and the trust of our shareholders. ■**

In a further initiative, we chaired the Best Practice Committee of Hong Kong's Climate Change Business Forum. The Forum is a leadership platform for influencing carbon-related policies and regulations in addition to encouraging understanding and informed responses to climate change impacts. In December, we participated in the 15th United Nations Climate Change Conference of Parties (COP15) in Copenhagen.

Our achievements in incorporating sustainable best practices into all our business decisions continue to attract international recognition. In May, Responsible Research, an independent research company, recognised MTR Corporation's commitment to sustainable development and environmental excellence by ranking the Company first in environmental, social and governance practices among the benchmarked Hong Kong companies and second among 50 listed companies in Asia. In January 2010, we were again recognised as a Sustainability Leader within the global travel and tourism industry sector, and we won a Gold Class award and a Sector Mover award from Sustainable Asset Management (SAM). We retained our inclusion in the Dow Jones Sustainability World Index (DJSI World), Dow Jones Sustainability Asia Pacific Index (DJSI Asia/Pacific) and the FTSE4Good Index for our excellence in sustainability and corporate responsibility. We were also included as the only Hong Kong company in the 2010 Global 100 Most Sustainable Corporations in the World (the Global 100).

A snapshot of the milestones tracking MTR Corporation's sustainable growth along with that of Hong Kong was a highlighted feature of our eighth annual Sustainability Report 2008, *Engagement*, published in June. Throughout its history, the Company has been committed to building and maintaining sustainable railways and properties that meet the needs of present and future generations, facilitating sustainable

development in Hong Kong and the Pearl River Delta region of the Mainland of China. The Sustainability Report 2008 focuses on how this engagement has shaped our vision, mission and values.

Community Initiatives

Growing with and caring for the communities we serve has long been a tradition of the Company. For our new railway projects in Hong Kong, we have continued the process of extensive public consultation established for our previous rail projects and taken it further with the full-scale community engagement programme for the planning and design of the West Island Line. The experience gained in this project will help us to optimise engagement opportunities for other new railway projects, such as the Shatin to Central Link and the South Island Line (East).

In 2009, we continued to launch many volunteering initiatives and our "Art in MTR" programme was further extended through a series of cultural shows and local artists' exhibitions at selected stations to allow passengers to relax and enjoy new artistic experiences. As one of Hong Kong's oldest districts with a vibrant history, Wan Chai District was selected as the first district to be showcased in our new community initiative "History Alive – Hong Kong Journeys", an initiative aimed at enabling passengers of today to retrace Hong Kong's journeys of yesteryear.

We continue to encourage our colleagues to take part in community service. During the year, there were 167 volunteering community service projects under our "More Time Reaching Community" scheme involving over 3,500 volunteers. In April, MTR HONG KONG Race Walking 2009 was held in Central. Over 40 corporate teams took part, raising more than HK\$1 million for the Hospital Authority Health InfoWorld to promote healthy living.

The MTR \$2 fare promotion for the elderly on Wednesdays and public holidays was extended for an additional six months until 31 August 2010, with a view to encouraging seniors to participate more in community events and activities during the week. Senior citizens currently enjoy concessions of up to 50 percent off regular fares every day. In support of Senior Citizens' Day on 15 November 2009, free rides were also offered to Elder Octopus cardholders. Meanwhile, our fare concessions for children and students continued and the caring image of the Company was promoted through the launch of a new branding campaign "caring for life's journeys", expressing our close link with the life journeys of our passengers, moving them to their every destination, and adding convenience and value to daily living.

The Company marked its 30 years of serving the people of Hong Kong on 1 October 2009. To celebrate this momentous occasion, we launched two specially designed theme trains and a souvenir ticket set featuring a series of "30-something" iconic characters penned by a local artist. Our journey from a single rail line with nine stations in Hong Kong to a company with a rail network of 218.2 km together with significant property interests in Hong Kong and operations outside Hong Kong has paralleled the rapid development of Hong Kong into a global centre of culture, finance and tourism. The theme trains highlighted the past and the future as we continue to connect people in Hong Kong as well as in other cities outside Hong Kong where we operate.

Conclusion

Many factors have contributed to our past success, key amongst which are the soundness of our Board governance, the excellence of our management and staff that numbered 20,150 at the end of 2009, the loyalty of our customers and the trust of our shareholders. As we continue to grow our business both within and outside Hong Kong in a sustainable manner, I would like to thank my fellow directors, our staff and all our stakeholders for their continued support in these challenging times. I would also like to welcome Mr Vincent Cheng Hoi-chuen who joined the Board in July 2009 as an independent non-executive Director of the Company and thank Mr Russell Black who retired in January 2010 as Projects Director. I would further welcome Mr TC Chew who became Projects Director on Russell's retirement.



Dr. Raymond Ch'ien Kuo-fung, *Chairman*
Hong Kong, 9 March 2010