

1 Statement of Compliance

These summary financial statements have been prepared from the audited financial statements of MTR Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in non-controlled subsidiaries and associates for the year ended 31 December 2009.

These summary financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. The HKFRSs are fully converged with International Financial Reporting Standards in all material respects.

The HKICPA has issued the following new HKFRS, amendments to HKFRSs or new Interpretations (“HK(IFRIC)”) that are first effective for the current accounting period of the Group and relevant to the Group’s financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment – vesting conditions and cancellations*
- HK(IFRIC) 13, *Customer loyalty programmes*
- HK(IFRIC) 15, *Agreements for the construction of real estate*
- HK(IFRIC) 16, *Hedges of a net investment in a foreign operation*
- HK(IFRIC) 18, *Transfers of assets from customers*

The “Improvements to HKFRSs (2008)” comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, only the amendments to HKAS 40, *Investment property* have resulted in a change to the Group’s accounting policies. Following the amendment, investment properties that are being constructed are carried at fair value. Gains or losses arising from the changes in the fair values are recognised in profit and loss account. This new policy has been applied prospectively with effect from 1 January 2009 and corresponding amounts of previous period have not been restated.

HK(IFRIC) 18 applies to transfers of assets from customers prospectively for assets received on or after 1 July 2009. Previously, the Group did not account for such transfers in the accounts. With the adoption of HK(IFRIC) 18, such transfers have been accounted for as increases in assets with corresponding increases in deferred income. The assets are depreciated and charged to the profit and loss account while the deferred income is amortised and recognised as income in the profit and loss account over the useful lives of the assets.

The adoption of HKFRS 8, HKAS 1 (revised 2007) and HKFRS 7 has disclosure impacts on the Group’s 2009 annual accounts. Other HKFRS developments have no material impact on the Group’s 2009 annual accounts as the amendments and interpretations are consistent with policies already adopted by the Group.

2 Rail Merger with Kowloon-Canton Railway Corporation (“KCRC”)

On 2 December 2007 (the “Appointed Day”), the Company’s operations merged with those of KCRC (“Rail Merger”). The structure and key terms of the Rail Merger were set out in a series of transaction agreements entered into between, inter alia, the Government of the Hong Kong Special Administrative Region, KCRC and the Company including the Service Concession Agreement, Property Package Agreements and Merger Framework Agreement. Key elements of the Rail Merger include the following:

- The expansion of the Company’s existing franchise under the Mass Transit Railway Ordinance (“MTR Ordinance”) to cover the construction, operation and regulation of railways in addition to the MTRC railway for an initial period of 50 years from the Appointed Day (“Franchise Period”), which may be extended pursuant to the provisions of the MTR Ordinance;
- The Service Concession Agreement (“SCA”) pursuant to which KCRC granted the Company the right to access, use and operate the KCRC system for an initial term of 50 years (the “Concession Period”), which will be extended if the Franchise Period (as it relates to the KCRC railway) is extended. The SCA also sets out the basis on which the KCRC system will be returned at the end of the Concession Period. In accordance with the terms of the SCA, the Company paid an upfront lump sum to KCRC on the Appointed Day and is obliged to pay an annual fixed payment to KCRC for the duration of the Concession Period. Additionally, commencing after three years from the Appointed Day, the Company is obliged to pay an annual variable fee to KCRC based on the revenue generated from the KCRC system above certain thresholds;
- Under the SCA, the Company is responsible for the expenditure incurred in relation to the maintenance, repair, replacement and upgrade of the KCRC system (with any new assets acquired being classified as “additional concession property”). To the extent that such expenditure exceeds an agreed threshold (“Capex Threshold”), the Company will be reimbursed for any above threshold expenditure at the end of the Concession Period with such reimbursement to be on the basis of depreciated book value;

2 Rail Merger with Kowloon-Canton Railway Corporation (“KCRC”) (continued)

- In the event that the Concession Period is extended, the fixed annual payment and the variable annual payment will continue to be payable by the Company. On such extension, the Capex Threshold may also be adjusted;
- Property Package Agreements whereby property assets comprising certain investment and own-used properties, property management rights and property development rights were acquired by the Company;
- Merger Framework Agreement setting out the framework for the Rail Merger including the implementation of the Fare Adjustment Mechanism whereby the extent to which fares may be adjusted is linked to certain public indices, the provision of a fare reduction starting from the Appointed Day and the guarantee of job security for front line staff employed at the time of the Rail Merger;
- Pursuant to the above and the vesting and novation of certain contracts, the Company assumed certain assets and liabilities of KCRC on the Appointed Day. The assumption of the liabilities of deposits refundable to third parties was subject to compensation by KCRC on the Appointed Day; and
- Other post-Appointed Day arrangements between the Company and KCRC such as the arrangements documented by the Kowloon Southern Link Project Management Agreement, the West Rail Agency Agreement and the Outsourcing Agreement.

3 Remuneration of Members of the Board and the Executive Directorate

A Remuneration of Members of the Board and the Executive Directorate

(i) The emoluments of the Members of the Board and the Executive Directorate of the Company were as follows:

in HK\$ million	Fees	Base pay, allowances and benefits in kind	Retirement scheme contribution	Variable remuneration related to performance	Total
2009					
Members of the Board					
– Raymond Ch’ien Kuo-fung	1.2	–	–	–	1.2
– Cheung Yau-kai (retired on 4 June 2009)	0.1	–	–	–	0.1
– Vincent Cheng Hoi-chuen (appointed on 10 July 2009)	0.1	–	–	–	0.1
– Christine Fang Meng-sang	0.3	–	–	–	0.3
– Edward Ho Sing-tin	0.4	–	–	–	0.4
– Ng Leung-sing	0.3	–	–	–	0.3
– Abraham Shek Lai-him	0.3	–	–	–	0.3
– T. Brian Stevenson	0.4	–	–	–	0.4
– Ceajer Chan Ka-keung	0.3	–	–	–	0.3
– Eva Cheng	0.3	–	–	–	0.3
– Alan Wong Chi-kong (upto 16 August 2009)	0.2	–	–	–	0.2
– Joseph Lai Yee-tak (since 17 August 2009)	0.1	–	–	–	0.1
Members of the Executive Directorate					
– Chow Chung-kong	–	6.5	–*	7.3	13.8
– Russell John Black	–	4.5	1.0	1.9	7.4
– William Chan Fu-keung	–	4.3	0.9	1.9	7.1
– Thomas Ho Hang-kwong	–	4.6	0.9	1.9	7.4
– Lincoln Leong Kwok-kuen	–	4.7	0.8	2.0	7.5
– Andrew McCusker	–	4.5	0.9	1.9	7.3
– Leonard Bryan Turk	–	4.3	0.9	1.9	7.1
	4.0	33.4	5.4	18.8	61.6

* C K Chow participates in the Company’s Mandatory Provident Fund Scheme. The total contributions paid by the Company in each of the years 2008 and 2009 were HK\$12,000.

3 Remuneration of Members of the Board and the Executive Directorate *(continued)*

A Remuneration of Members of the Board and the Executive Directorate *(continued)*

in HK\$ million	Fees	Base pay, allowances and benefits in kind	Retirement scheme contribution	Variable remuneration related to performance	Total
2008					
Members of the Board					
– Raymond Ch'ien Kuo-fung	1.2	–	–	–	1.2
– Cheung Yau-kai	0.3	–	–	–	0.3
– David Gordon Eldon (retired on 29 May 2008)	0.1	–	–	–	0.1
– Christine Fang Meng-sang	0.3	–	–	–	0.3
– Edward Ho Sing-tin	0.4	–	–	–	0.4
– Lo Chung-hing (retired on 29 May 2008)	0.2	–	–	–	0.2
– Ng Leung-sing	0.3	–	–	–	0.3
– Abraham Shek Lai-him	0.3	–	–	–	0.3
– T. Brian Stevenson	0.4	–	–	–	0.4
– Ceajer Chan Ka-keung	0.3	–	–	–	0.3
– Eva Cheng	0.3	–	–	–	0.3
– Alan Wong Chi-kong	0.3	–	–	–	0.3
Members of the Executive Directorate					
– Chow Chung-kong	–	6.7	–*	8.6	15.3
– Russell John Black	–	4.3	0.2	2.7	7.2
– William Chan Fu-keung	–	4.4	0.2	2.6	7.2
– Thomas Ho Hang-kwong	–	4.4	0.2	2.6	7.2
– Lincoln Leong Kwok-kuen	–	4.8	0.7	2.7	8.2
– Francois Lung Ka-kui (left service on 31 December 2008)	–	3.6	0.5	1.7	5.8
– Andrew McCusker	–	4.4	0.2	2.3	6.9
– Leonard Bryan Turk	–	4.2	0.2	2.6	7.0
	4.4	36.8	2.2	25.8	69.2

In addition, C K Chow was entitled to receive an equivalent value in cash of 418,017 shares on completion of his three-year contract ended on 30 November 2009. Pursuant to this contract and following the completion of the contract period, HK\$11.3 million was paid to C K Chow on 1 December 2009.

The above emoluments do not include the fair value of share options, as estimated at the date of grant which is defined as the date of acceptance of the offer to grant the option. The fair values of the share options awarded to Members of the Executive Directorate are as follows:

(a) Options vested under the New Joiners Share Option Scheme (the "New Option Scheme") in 2008

Francois K K Lung, who left service on 31 December 2008, was granted options in respect of 1,066,000 shares under the New Option Scheme on 22 March 2007, of which 711,000 options were vested in 2008 and the respective fair value of the share-based payments recognised for the year ended 31 December 2008 was HK\$1.6 million.

(b) Options vested under the 2007 Share Option Scheme (the "2007 Option Scheme") in 2008 and 2009

Share options were granted to Members of the Executive Directorate under the Company's 2007 Option Scheme, which were offered to them on 10 December 2007, 8 December 2008 and 8 December 2009. The entitlements of each of the Members are as follows:

- C K Chow was granted options in respect of 720,000 shares on 13 December 2007 and 470,000 shares each on 9 December 2008 and 9 December 2009, of which 397,000 options were vested in 2009 (2008: 240,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2009 was HK\$1.7 million (2008: HK\$1.2 million);

3 Remuneration of Members of the Board and the Executive Directorate *(continued)*

A Remuneration of Members of the Board and the Executive Directorate *(continued)*

- Lincoln K K Leong and Leonard B Turk were each granted options in respect of 170,000 shares each on 12 December 2007, 9 December 2008 and 10 December 2009, of which 114,000 options were vested in 2009 (2008: 57,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2009 was HK\$0.5 million (2008: HK\$0.3 million) for each of them;
- Russell J Black was granted options in respect of 170,000 shares each on 12 December 2007 and 9 December 2008 and 42,500 shares on 10 December 2009, of which 114,000 options were vested in 2009 (2008: 57,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2009 was HK\$0.4 million (2008: HK\$0.3 million);
- Thomas H K Ho was granted options in respect of 170,000 shares each on 12 December 2007, 11 December 2008 and 14 December 2009, of which 114,000 options were vested in 2009 (2008: 57,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2009 was HK\$0.5 million (2008: HK\$0.3 million);
- Andrew McCusker was granted options in respect of 170,000 shares each on 12 December 2007, 12 December 2008 and 10 December 2009, of which 114,000 options were vested in 2009 (2008: 57,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2009 was HK\$0.5 million (2008: HK\$0.3 million);
- William F K Chan was granted options in respect of 170,000 shares each on 13 December 2007, 9 December 2008 and 10 December 2009, of which 114,000 options were vested in 2009 (2008: 57,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2009 was HK\$0.5 million (2008: HK\$0.3 million); and
- Francois K K Lung, who left office on 31 December 2008, was granted options in respect of 130,000 shares on 12 December 2007, of which 87,000 options were vested in 2008, and the respective fair value of the share-based payments recognised for the year ended 31 December 2008 was HK\$0.4 million.

Chew Tai-chong replaced Russell J Black, who retired from the Company on 31 January 2010, as Member of the Executive Directorate with effect from 1 February 2010. Under the 2007 Option Scheme, T C Chew was granted share option of 85,000 shares on 18 June 2009 and 170,000 shares on 10 December 2009, of which nil option was vested in 2009 (2008: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2009 was HK\$0.1 million (2008: nil).

The details of directors' interest in the Company's shares are disclosed under the paragraph "Board Members' and Executive Directorate's Interests in Shares" of the Report of the Members of the Board.

(ii) On 12 April 2007, Lincoln K K Leong was granted a derivative interest in respect of 160,000 shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). The derivative interest represents Lincoln K K Leong's entitlement to receive an equivalent value in cash of 160,000 shares on 9 April 2010.

On 1 December 2009, C K Chow was granted a derivative interest in respect of 222,161 shares in the Company within the meaning of Part XV of the SFO. The derivative interest represents C K Chow's entitlement to receive an equivalent value in cash of 222,161 shares upon completion of his existing contract on 31 December 2011.

The arrangements were offered to C K Chow and Lincoln K K Leong in order to provide a competitive level of compensation which is also closely tied to the performance of the Company.

(iii) The aggregate emoluments of Members of the Board and the Executive Directorate for the year pursuant to section 161 of the Hong Kong Companies Ordinance was HK\$77.5 million (2008: HK\$74.2 million).

(iv) Non-executive directors of the Company are not appointed for a specific term but are subject (save for those appointed pursuant to Section 8 of the Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong)) to retirement by rotation and re-election at the Company's annual general meetings in accordance with Articles 87 and 88 of the Company's Articles of Association. Dr. Raymond Ch'ien Kuo-fung, a Member of the Board, was appointed as the non-executive Chairman of the Company with effect from 21 July 2003 for a term of three years. In July 2006, he was re-appointed as the non-executive Chairman of the Company until 31 July 2007. In July 2007, Dr. Ch'ien was re-appointed as the non-executive Chairman of the Company with effect from 1 August 2007 for a term up to 31 December 2007 or the day to be appointed by the Secretary for Transport and Housing by notice published in the Gazette under the Rail Merger Ordinance, whichever was the earlier. On 8 August 2007, he was appointed as the non-executive Chairman of the Company after the Rail Merger for a term of two years commencing from 2 December 2007. On 11 November 2009, he was re-appointed as the non-executive Chairman of the Company with effect from 2 December 2009 to 31 December 2012.

All of the five individuals with the highest emoluments are Members of the Executive Directorate whose emoluments are disclosed above.

B Share Options

Options exercised and outstanding in respect of each Member of the Executive Directorate as at 31 December 2009 are set out under the paragraph "Board Members' and Executive Directorate's Interests in Shares" of the Report of the Members of the Board. Details of the options granted to Members of the Executive Directorate are as follows:

3 Remuneration of Members of the Board and the Executive Directorate *(continued)*

B Share Options *(continued)*

(i) Pre-Global Offering Share Option Scheme

Under the Company's Pre-Global Offering Share Option Scheme (the "Pre-IPO Option Scheme"), each Member of the Executive Directorate, except C K Chow, Lincoln K K Leong, Francois K K Lung, Andrew McCusker and T C Chew, was granted options on 20 September 2000 to acquire 1,066,000 shares. C K Chow, Lincoln K K Leong, Francois K K Lung and T C Chew joined the Company on 1 December 2003, 1 February 2002, 26 September 2005 and 11 May 2009 respectively, and are not beneficiaries of the Pre-IPO Option Scheme. Andrew McCusker was granted 266,500 options on 20 September 2000 under the Pre-IPO Option Scheme and no additional share options were granted upon his appointment as a Member of the Executive Directorate on 1 October 2005.

Under the vesting terms of the Pre-IPO Option Scheme, each eligible Member of the Executive Directorate must continue to beneficially own (i) at all times after 26 October 2001, at least 23,000 shares; and (ii) at all times after 26 October 2002, at least 46,000 shares, in each case, up to and including the date on which he has exercised his option in full or the date on which his option lapses (whichever is earlier).

(ii) New Joiners Share Option Scheme

Under the New Joiners Share Option Scheme (the "New Option Scheme"), Lincoln K K Leong and Francois K K Lung, Members of the Executive Directorate, were granted options to acquire 1,066,000 shares on 1 August 2003 and 27 September 2005 respectively.

Under the vesting terms of the New Option Scheme, Lincoln K K Leong must continue to beneficially own (i) at all times on and after 4 August 2004, at least 23,000 shares; and (ii) at all times on and after 4 August 2005, at least 46,000 shares, up to and including the date on which he has exercised his option in full or the date on which his option lapses (whichever is earlier).

Under the vesting terms of the New Option Scheme, Francois K K Lung was required to beneficially own at all times on and after 17 October 2006, at least 23,000 shares up to and including the date on which he has exercised his option in full or the date on which his option lapses (whichever is earlier). Francois K K Lung's options lapsed on 17 October 2006 in accordance with the terms of the New Option Scheme.

On 22 March 2007, Francois K K Lung was granted options to acquire 1,066,000 shares under the New Option Scheme. Under the vesting terms of the New Option Scheme, Francois K K Lung was required to beneficially own at all times on and after 9 April 2008, at least 23,000 shares up to and including the date on which he has exercised his options in full or the date on which his options lapse (whichever is earlier). In connection with the termination of his employment with the Company on 31 December 2008 and in accordance with the terms of the New Option Scheme, 711,000 options granted to Francois K K Lung under the New Option Scheme were vested and 355,000 options lapsed as at 31 December 2008.

(iii) 2007 Share Option Scheme

Under the 2007 Share Option Scheme (the "2007 Option Scheme"), all Members of the Executive Directorate were granted options to acquire shares in 2007, 2008 and 2009. C K Chow was granted options to acquire 720,000 shares in 2007 and 470,000 shares in both 2008 and 2009. William F K Chan, Thomas H K Ho, Lincoln K K Leong, Andrew McCusker and Leonard B Turk were each granted options to acquire 170,000 shares in each of 2007, 2008 and 2009. Russell J Black was granted options to acquire 170,000 shares in both 2007 and 2008 and 42,500 shares in 2009. Francois K K Lung was granted options to acquire 130,000 shares in 2007. T C Chew was granted options to acquire 85,000 shares in June 2009 and 170,000 shares in December 2009.

Under the vesting terms of the options granted in 2007, 2008 and 2009, options granted will be evenly vested in respect of their underlying shares over a period of three years from 10 December 2007, 8 December 2008, 12 June 2009 and 8 December 2009. However, in connection with the termination of his employment with the Company on 31 December 2008 and in accordance with the terms of the 2007 Option Scheme, 87,000 options granted to Francois K K Lung under the 2007 Option Scheme were vested and 43,000 options lapsed as at 31 December 2008.

4 Segmental Information

The Group manages its businesses by the various business executive committees. On first-time adoption of HKFRS 8, *Operating Segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following six reportable segments.

Hong Kong railway operations: The operation of an urban mass transit railway system within Hong Kong, an Airport Express serving both the Hong Kong International Airport and the AsiaWorld-Expo at Chek Lap Kok, cross-boundary railway service, light rail and bus services in the north-west New Territories, intercity passenger services and freight business.

Hong Kong station commercial activities: Commercial activities including letting of advertising, retail and car parking space at railway stations, bandwidth services on the railway telecommunication system and rail related subsidiaries' businesses in Hong Kong.

Hong Kong property rental and management: The letting of office, retail and car parking space in investment properties and the provision of estate management services in Hong Kong.

Railway franchises outside of Hong Kong: The operation and maintenance of mass transit railway systems outside Hong Kong including station commercial activities in relation to the railway systems.

4 Segmental Information (continued)

Property developments: Property development at locations relating to the railway system in Hong Kong.

All others: Including operations relating to the Ngong Ping 360, railway consultancy services, rental and estate management services in Mainland of China and share of profits of non-controlled subsidiaries and associates.

The results of the reportable segments and reconciliation to the corresponding consolidated totals in the accounts are shown below:

in HK\$ million	Turnover		Contribution to profit	
	2009	2008	2009	2008
Hong Kong railway operations	11,530	11,504	2,123	2,183
Hong Kong station commercial activities	2,741	2,894	2,329	2,475
Hong Kong property rental and management	2,633	2,432	2,010	1,889
Railway franchises outside of Hong Kong	1,043	–	5	–
All others	850	798	262	46
	18,797	17,628	6,729	6,593
Property developments			3,554	4,670
			10,283	11,263
Project studies and business development expenses			(206)	(198)
Merger related expenses			(12)	(53)
Interest and finance charges			(1,504)	(1,998)
Change in fair value of investment properties			2,798	(146)
Share of profits of non-controlled subsidiaries and associates			160	159
Income tax			(1,880)	(747)
Profit for the year			9,639	8,280

in HK\$ million	Assets		Liabilities	
	2009	2008	2009	2008
Hong Kong railway operations	102,826	91,653	24,071	13,215
Hong Kong station commercial activities	2,087	1,161	982	926
Hong Kong property rental and management	41,498	38,309	1,048	1,027
Railway franchises outside of Hong Kong	6,478	2,812	1,764	286
Property developments	13,246	20,107	4,721	1,626
All others	2,203	2,367	118	176
	168,338	156,409	32,704	17,256
Unallocated assets and liabilities	8,156	2,929	37,337	44,260
Total	176,494	159,338	70,041	61,516

Unallocated assets and liabilities mainly comprise derivative financial assets and liabilities, corporate assets, interest-bearing loans and borrowings.

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's fixed assets, property management rights, railway construction in progress, property development in progress, deferred expenditure, prepaid land lease payments and interests in non-controlled subsidiaries and associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, railway construction in progress and property development in progress; the location of the operation to which they are allocated, in the case of service concession assets and property management rights; and the location of operation, in the case of interests in non-controlled subsidiaries and associates.

4 Segmental Information (continued)

in HK\$ million	Revenue from external customers		Specified non-current assets	
	2009	2008	2009	2008
Hong Kong (place of domicile)	17,525	17,367	142,211	140,790
Australia	549	3	43	–
Mainland of China	148	161	4,390	2,456
Sweden	494	–	124	–
Other countries	81	97	40	25
	1,272	261	4,597	2,481
	18,797	17,628	146,808	143,271

5 Fixed Assets and Railway Construction in Progress

A Investment Properties

in HK\$ million	2009	2008
Cost or valuation		
At 1 January	37,737	37,723
Additions	123	108
Disposal	(17)	–
Change in fair value	2,798	(146)
Reclassification from assets under construction (note 5B)	352	–
Transfer from assets under construction (note 5B)	–	98
Transfer to self-occupied land and buildings (note 5B)	–	(46)
At 31 December	40,993	37,737
Long leases	1,591	1,575
Medium-term leases	39,402	36,162
	40,993	37,737

Following the amendment to HKAS 40, *Investment property*, the costs of the partially renovated shell of the retail shopping centre at Kowloon Station ("Elements") and the relating further renovation expenditure, which were classified as other property, plant and equipment and amounted to HK\$352 million as at 31 December 2008, have been re-classified as investment properties starting from 1 January 2009.

5 Fixed Assets and Railway Construction in Progress (continued)

B Other Property, Plant and Equipment

in HK\$ million	Self-occupied land and buildings	Civil works	Plant and equipment	Assets under construction	Total
2009					
Cost or Valuation					
At 1 January 2009	1,965	46,359	59,473	1,400	109,197
Additions	–	–	195	1,498	1,693
Capitalisation adjustments *	–	–	(6)	–	(6)
Disposals / Write-offs	–	(4)	(270)	(2)	(276)
Surplus on revaluation	155	–	–	–	155
Reclassification within other property, plant and equipment	–	4	(15)	11	–
Reclassification to investment properties (note 5A)	–	–	–	(352)	(352)
Transfer to additional concession property (note 5C)	–	–	(79)	(46)	(125)
Transfer from railway construction in progress (note 5D)	–	134	599	–	733
Other assets commissioned	–	14	1,129	(1,143)	–
At 31 December 2009	2,120	46,507	61,026	1,366	111,019
At Cost	–	46,507	61,026	1,366	108,899
At 31 December 2009 Valuation	2,120	–	–	–	2,120
Aggregate depreciation					
At 1 January 2009	–	4,612	26,781	–	31,393
Charge for the year	51	399	2,177	–	2,627
Written back on disposal	–	(3)	(235)	–	(238)
Transfer to additional concession property (note 5C)	–	–	(2)	–	(2)
Written back on revaluation	(51)	–	–	–	(51)
At 31 December 2009	–	5,008	28,721	–	33,729
Net book value at 31 December 2009	2,120	41,499	32,305	1,366	77,290
2008					
Cost or Valuation					
At 1 January 2008	2,240	46,471	58,820	1,037	108,568
Additions	–	–	75	1,351	1,426
Capitalisation adjustments *	–	(96)	5	–	(91)
Disposals / Write-offs	(36)	(15)	(316)	(2)	(369)
Deficit on revaluation	(285)	–	–	–	(285)
Reclassification	–	(4)	4	–	–
Transfer from/(to) investment properties (note 5A)	46	–	–	(98)	(52)
Other assets commissioned	–	3	885	(888)	–
At 31 December 2008	1,965	46,359	59,473	1,400	109,197
At Cost	–	46,359	59,473	1,400	107,232
At 31 December 2008 Valuation	1,965	–	–	–	1,965
Aggregate depreciation					
At 1 January 2008	–	4,236	24,888	–	29,124
Charge for the year	58	389	2,174	–	2,621
Capitalisation adjustments *	–	(6)	–	–	(6)
Written back on disposal	–	(7)	(281)	–	(288)
Written back on revaluation	(58)	–	–	–	(58)
At 31 December 2008	–	4,612	26,781	–	31,393
Net book value at 31 December 2008	1,965	41,747	32,692	1,400	77,804

* Capitalisation adjustments relate to certain railway assets capitalised at time of commissioning based on contractors' claimed values. Such assets' final values have been adjusted following finalisation of contract claims with contractors at final contract values during the year.

Depreciation charge for the year was HK\$2,627 million (2008: HK\$2,615 million), comprising depreciation for the year of HK\$2,627 million (2008: HK\$2,621 million) less nil (2008: HK\$6 million) capitalisation adjustment.

5 Fixed Assets and Railway Construction in Progress (continued)

C Service Concession Assets

in HK\$ million	KCRC Rail Merger		Shenzhen Line 4	Stockholm Metro	Total
	Initial concession property	Additional concession property			
2009					
Cost					
At 1 January 2009	15,226	572	–	–	15,798
Net additions during the year	–	486	1,889	88	2,463
Transfer from other property, plant and equipment (note 5B)	–	125	–	–	125
Transfer from deferred expenditure	–	–	1,650	–	1,650
At 31 December 2009	15,226	1,183	3,539	88	20,036
Accumulated amortisation					
At 1 January 2009	329	6	–	–	335
Charge for the year	305	42	–	1	348
Transfer from other property, plant and equipment (note 5B)	–	2	–	–	2
At 31 December 2009	634	50	–	1	685
Net book value at 31 December 2009	14,592	1,133	3,539	87	19,351
2008					
Cost					
At 1 January 2008	15,226	49	–	–	15,275
Net additions during the year	–	523	–	–	523
At 31 December 2008	15,226	572	–	–	15,798
Accumulated amortisation					
At 1 January 2008	25	–	–	–	25
Charge for the year	304	6	–	–	310
At 31 December 2008	329	6	–	–	335
Net book value at 31 December 2008	14,897	566	–	–	15,463

Initial concession property and additional concession property are in respect of the Group's right to access, use and operate the KCRC system pursuant to the Rail Merger (note 2). The cost of initial concession property comprises the balance of upfront payment of HK\$4,250 million net of HK\$326 million in respect of stores and spares acquired and the present value of the total fixed annual payments of HK\$750 million per annum discounted at the Company's estimated long-term incremental borrowing rate at inception of 6.75%. Additional concession property represents expenditure incurred in relation to the maintenance, repair, replacement and upgrade of the KCRC system.

On 18 March 2009, MTR Corporation (Shenzhen) Limited, a wholly-owned subsidiary of the Company, signed the Project Concession Agreement with the Shenzhen Municipal People's Government for a Build-Operate-Transfer project in respect of the construction of Phase 2 of Line 4 of Shenzhen Metro System ("Shenzhen Line 4") and the operation of both Phases 1 and 2 of Shenzhen Line 4 for a term of 30 years. Service commencements of Phases 1 and 2 are expected in 2010 and 2011 respectively. Accordingly, costs incurred and eligible for capitalisation, which was previously carried as deferred expenditure amounting to HK\$1,650 million, have been transferred to service concession assets and construction costs incurred during the year ended 31 December 2009 of HK\$1,889 million were recorded as service concession assets.

Service concession assets in respect of Stockholm Metro relates to the costs incurred between the announcement of the Group's winning of the tender on 20 January 2009 and the commencement of the franchise on 2 November 2009 for preparing the Group to operate Stockholm Metro. The concession property is amortised and charged to the consolidated profit and loss account over the term of the franchise.

5 Fixed Assets and Railway Construction in Progress *(continued)*

D Railway Construction in Progress

in HK\$ million	Balance at 1 January	Transferred from deferred expenditure	Expenditure	Capitalised on commissioning (note 5B)	Balance at 31 December
2009					
LOHAS Park Station Project					
Construction costs	490	-	50	(540)	-
Consultancy fees	13	-	-	(13)	-
Staff costs and other expenses	114	-	11	(125)	-
Finance costs	41	-	14	(55)	-
	658	-	75	(733)	-
West Island Line					
Construction costs	-	38	853	-	891
Consultancy fees	-	316	48	-	364
Staff costs and other expenses	-	318	100	-	418
Finance costs	-	2	10	-	12
Utilisation of government funding support	-	(400)	(1,285)	-	(1,685)
	-	274	(274)	-	-
Total	658	274	(199)	(733)	-
2008					
LOHAS Park Station Project					
Construction costs	314	-	176	-	490
Consultancy fees	11	-	2	-	13
Staff costs and other expenses	81	-	33	-	114
Finance costs	18	-	23	-	41
	424	-	234	-	658
Total	424	-	234	-	658

6 Bonds and Notes Issued and Redeemed

Bonds and notes issued during the year ended 31 December 2009 and 2008 comprise:

in HK\$ million	2009		2008	
	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	500	500	1,750	1,750

The net proceeds received from the above issues were used for general working capital, refinancing or other corporate purposes.

During the year ended 31 December 2009, the Group redeemed HK\$1,300 million (2008: HK\$1,000 million) of its unlisted debt securities and US\$750 million (2008: nil) of its listed debt securities.

7 Other Information

These summary financial statements are only a summary of information in the Group's 2009 Annual Accounts. It is not the Group's statutory financial statements and it does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full Annual Report and Accounts. The full 2009 Annual Report is available in electronic form on the Company's website at www.mtr.com.hk. A printed copy of the 2009 Annual Report can be obtained free of charge by writing to the Company's share registrar or the Company's Corporate Relations Department. Their details are listed on page 80 of this Summary Financial Report.