

GROWTH MOMENTUM

This Summary Financial Report 2010 only gives a summary of the information and particulars of MTR Corporation's Annual Report 2010 from which this Summary Financial Report is derived. Both documents are available (in both English and Chinese versions) in electronic form on the Company's website at www.mtr.com.hk.

You may obtain a printed copy of the Annual Report 2010 free of charge by writing to the Company's share registrar, Computershare Hong Kong Investor Services Limited, or our Corporate Relations Department. Their details are set out on page 68 of this Summary Financial Report.

GROWTH MOMENTUM

In 2010, the Company has ridden the economic recovery to post a strong set of results, with increases in revenue and profit. Looking ahead, our growth momentum continues, with our five major expansion projects in Hong Kong on track, and further progress in our growing portfolio of businesses in the Mainland of China and overseas.

As a builder and operator of infrastructure assets, we try to ensure that our expansion plans benefit present and future generations, and our aim is to become a global leader in sustainable transportation.

You may at any time choose to receive summary financial reports or annual reports in printed form or to rely on their versions posted on the Company's website. You may also at any time choose to receive (a) summary financial reports or annual reports in place of the other and (b) the English version only, the Chinese version only or both the English and the Chinese versions of the Company's summary financial reports or annual reports. You may make the above choices notwithstanding any wish to the contrary has previously been conveyed to the Company. You may change your choice on these matters by writing to the Company's share registrar, Computershare Hong Kong Investor Services Limited, whose details are set out on page 68.

If you have already chosen to rely on the versions of the summary financial reports and annual reports posted on the Company's website or have difficulty in having access to those documents, you will, promptly upon written request, be sent those documents in printed form free of charge. Please send your request to the Company's share registrar, Computershare Hong Kong Investor Services Limited.



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MTR Corporation at a Glance

The Company is regarded as one of the world's leading railway operators, with proven success in our integrated approach of rail and property. Since opening our first railway line in Hong Kong over 30 years ago, our activities have increased in size, scale, geographic coverage and diversity. Our strategy for future growth is firmly on track. We are actively engaged in a significant expansion of our network in Hong Kong, while building a growing portfolio of businesses in the Mainland of China and overseas.

Hong Kong Passenger Services

Business Description

We operate a predominantly rail based transportation system in Hong Kong, comprising Domestic and Cross-boundary services, a dedicated high-speed Airport Express railway and a light rail system. The entire system stretches 218.2 km and has 84 stations and 68 stops. Our network is one of the most intensively used in the world, and its reliability, safety and efficiency are held in high regard. We also provide intercity services to the Mainland of China as well as a small bus operation in Hong Kong offering convenient feeder services.

2010 Highlights

- Modifications to trains and stations enhanced accessibility further
- The high standards attained by our service performance again earned a large number of awards
- Construction has made good progress on the West Island Line and Express Rail Link projects
- The detailed design for the South Island Line (East) and Kwun Tong Line Extension projects has been substantially completed
- The preliminary designs for the E&M systems for the Shatin to Central Link have been completed



Station Commercial and Rail Related Businesses

Business Description

We leverage our railway assets and expertise into additional businesses, including rental of station retail space, advertising in trains and stations, telecommunications, and rail consultancy.

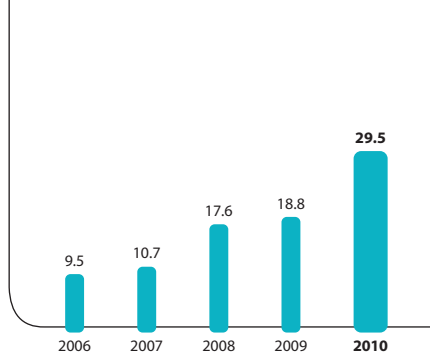
2010 Highlights

- 38 new trades and brands were added to our Hong Kong network giving passengers more choices
- Platform TVs were enlarged to 103 inches giving better impact
- 3G data usage by passengers saw strong growth



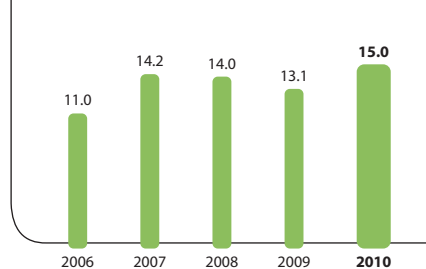
Turnover

(HK\$ billion)



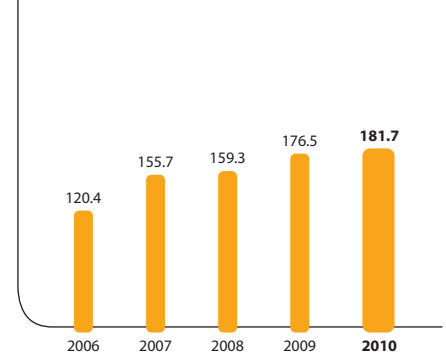
Operating Profit before Depreciation, Amortisation and Variable Annual Payment Arising from the Rail Merger

(HK\$ billion)



Total Assets

(HK\$ billion)



Property and Other Businesses

Business Description

We develop mainly residential properties in conjunction with property developers. We own investment properties, principally shopping malls and offices, and manage our properties and those of others. Our investment portfolio primarily includes 12 shopping malls in Hong Kong, one shopping mall in Beijing and 18 floors of the Two International Finance Centre (Two ifc) office tower in Hong Kong.

2010 Highlights

- Pre-sales for Phase 1 of Festival City at Tai Wai Maintenance Centre in March saw a good market response, and pre-sales of Phase 2 were launched in November
- Austin Station Sites C and D were awarded in March to Fast New Limited, a consortium formed by New World Development Company Limited and Wheelock Properties Limited
- Our shopping malls and our 18 floors of Two ifc in Hong Kong were close to 100% let



Mainland and Overseas Growth

Business Description

We continue our strategy to grow outside of Hong Kong by investing in urban rail networks in the Mainland of China, and pursuing "asset-light" operating concessions in overseas markets.

2010 Highlights

- Beijing Metro Line 4 (BJL4) celebrated its first anniversary on 28 September, achieving high levels of service and ridership in its first year
- Daxing Line, an extension to BJL4, commenced operations on 30 December
- In July, we took over operation of Phase 1 of Shenzhen Metro Line 4
- Service performance has shown encouraging improvement at our rail concessions in London and Stockholm whilst, after a difficult period, operational performance is improving in Melbourne

Chairman's Letter



“...a successful rail line must nurture local communities and consider local aspirations during design, construction and in operation.”

Dear Shareholders and other Stakeholders,

I am pleased to report that MTR Corporation achieved a strong set of results for the year ended 31 December 2010 by leveraging off the recovery in the Hong Kong economy. Our recurrent businesses in Hong Kong experienced good patronage growth, augmented by gains at our station retail and property rental businesses, as well as a pick-up in our advertising business. We recorded strong property development profits, relating mainly to Le Prestige at LOHAS Park. The year 2010 also saw the first full year results of a number of our rail businesses outside of Hong Kong, as well as the introduction of Phase 1 of Shenzhen Metro Line 4 (SZL4). The financial results of these rail businesses outside of Hong Kong were either in line with or better than expectation in their initial year of operations, except for our Stockholm franchise.

For the year, revenue rose by 57.0% to HK\$29,518 million, on the back of strong Hong Kong recurrent businesses as well as the full year revenue contribution from rail franchises outside of Hong Kong. Operating profit from railway and related businesses before depreciation, amortisation and variable annual payment increased by 14.7% to HK\$10,917 million and property development profit for the year was 13.5% higher at HK\$4,034 million. Excluding investment properties revaluation and the related deferred tax, net profit from underlying businesses attributable to equity shareholders increased by 18.5% to HK\$8,657 million. Including pre-tax gain in revaluation of investment properties of HK\$4,074 million, the net profit attributable to equity shareholders was HK\$12,059 million and earnings per share were HK\$2.10. Your Board has proposed a final dividend of HK\$0.45 per share, giving a full year dividend of HK\$0.59 per share, which is an increase of 13.5% compared to the previous year.

Growth Strategy

Our growth strategy of expanding our rail network in Hong Kong and participating in rail businesses outside of Hong Kong remains on track.

In Hong Kong, we have five railway projects at various stages of development which, when completed, will increase our route network by 56-km. Construction of the West Island Line and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link is progressing well. We have also steadily advanced the South Island Line (East), Kwun Tong Line Extension and Shatin to Central Link projects through work on their detailed design, planning and approval processes.

In the Mainland of China, the Daxing Line extension of Beijing Metro Line 4 commenced operations on 30 December 2010. Our wholly owned subsidiary MTR Corporation (Shenzhen) Limited took over Phase 1 of SZL4 in July 2010, with Phase 2 nearing completion and services expected to commence in mid 2011. The Company signed a Memorandum of Understanding with Shenzhen Line 3 Investment Company to participate in the feasibility, land and planning study, and the investment study for Shenzhen Metro Line 6. The project for the investment in, construction and operation of the Hangzhou Metro Line 1, in which we plan to hold a 49% shareholding, is awaiting regulatory approval from the Central Government.

Sustainability and Corporate Responsibility

The Company aims to be a globally recognised leader in meeting the transportation needs of present and future generations, connecting and growing communities with caring service. We see a railway system not merely as a physical infrastructure, but an asset with social, environmental and economic implications. Properly designed and integrated with property development, a railway enables more effective utilisation of land, contributing towards sustainable urban development and benefiting the environment.

As such, a successful rail line must nurture local communities and consider local aspirations during design, construction and in operation. We have developed ongoing relationships with local communities to maximise the benefit of our long-term infrastructure, drawing on stakeholder views throughout

“...we will continue to pursue our strategy to achieve sustainable growth, while carefully managing risk through the application of sound principles of corporate governance.”

the planning, design and construction stages. We also use a Sustainable Competitive Advantage model, which combines and balances risk management, operator requirements and stakeholder views and aspirations, thus embedding sustainability into management decisions.

Our concern to bring sustainability into the heart of our business has led us to the publication since 2000 of our Sustainability Report, using a well respected framework which follows the Global Reporting Initiative.

We continue to make progress in reducing energy consumption, to address our responsibilities in relation to the local environment and global warming. While constrained by the relatively carbon intensive power generation in Hong Kong, continuous improvements in operational efficiency have supported a downward trend in power usage from 5.94 kWh per revenue car-km in 2005 to 4.83 kWh in 2010. In February 2010, we launched a programme to install LED lighting in 136 trains. Once installation is completed in 2014, starting from 2015, these changes will result in a measurable reduction of 2,519 MWh each year in electric power consumption. This is one of many energy saving initiatives during the year targeting rolling stock, tunnels and stations.

We also apply the same approach of sustainable development to our network expansion projects. In addition to community engagement on the planning and design, we make every effort to achieve high quality, safety and environmental standards during construction, through award schemes and other incentives. On the West Island Line, new technology using electronic detonators with water ballast rather than sand bags to absorb the pressure from blasting has enabled us to excavate the construction shaft at the King George V Memorial Park at Sai Ying Pun with barely noticeable levels of noise and dust.

Community Care

A key objective of our Corporate Responsibility Policy is to enhance the quality of life and actively engage in the communities where we operate. These efforts fall under our Community Care Action programme, which targets four broad categories, namely Youth, Community Outreach, Art & Culture and Green & Healthy Living.

Our recent initiative “Friend’ for life’s journeys”, targets secondary school students. It aims to broaden their horizons and equip them with useful life skills through a variety of activities. Launched in December 2009 and continuing into 2011, the

programme initially paired 100 secondary school students with 100 young staff volunteers to act as mentors, sharing insights and bringing the students a new perspective. The other youth initiative is “Train’ for life’s journeys”, which provided 100 Form Five students with personal development and hands-on experience of working in our operations.

More broadly, our “More Time Reaching Community” scheme encouraged 198 volunteering community service projects during 2010 involving about 4,400 volunteers. Furthermore, in May 2010, in support of the Employee Volunteer Week organised by Community Business, our staff volunteers organised seven projects for the elderly, chronically ill, underprivileged families and mentally challenged people across Hong Kong.

We maintained our support for local art and culture through the “art in mtr” programme, including a 90 metre long corridor in Tsuen Wan Station featuring 132 works of mosaic art called “Urban Flow”.

Finally, during the year the Company took part in a number of events relating to the environment and health. The sixth MTR HONG KONG Race Walking, held in Central in April 2010, raised over HK\$1.13 million for the Hospital Authority’s Health InfoWorld. We also supported Community Business’ Work-Life Balance Day, Earth Hour, organised by the World Wide Fund for Nature, and World Car Free Day.

Conclusion

Although we have seen a global recovery from the recent financial crisis, it remains fragile. In this environment, we will continue to pursue our strategy to achieve sustainable growth, while carefully managing risk through the application of sound principles of corporate governance. I wish to thank my fellow directors, our staff and all our stakeholders for their support as we journey forward. I would also like to welcome Mr Alasdair George Morrison, who joined the Board in July 2010 as an independent non-executive Director of the Company, and thank Mr Andrew McCusker, who retired in December 2010 as Operations Director. I further welcome Dr Jacob Kam, who became Operations Director on Andrew’s retirement.



Dr. Raymond Ch’ien Kuo-fung, *Chairman*
Hong Kong, 3 March 2011

CEO's Review of Operations and Outlook



“...all of our businesses posted solid gains in 2010, taking full advantage of the active economies in Hong Kong and abroad.”

Dear Shareholders and other Stakeholders,

I am pleased to report that all of our businesses posted solid gains in 2010, taking full advantage of the active economies in Hong Kong and abroad.

Growth in our recurrent businesses in Hong Kong was strong. Our Hong Kong rail business benefited from good patronage growth and an upward adjustment in fares, in accordance with the Fare Adjustment Mechanism. Higher rental reversions, as well as an increase in retail space positively impacted our property rental and station retail businesses. Our advertising business also saw a strong rebound. In property development, profit booking came mainly from Le Prestige in LOHAS Park.

Our businesses outside of Hong Kong also made good progress. Beijing Metro Line 4 (BJL4) celebrated its first anniversary in September 2010, with ridership exceeding 250 million passenger trips whilst achieving high service levels. The Daxing Line, an extension of BJL4, commenced service on 30 December 2010. In Shenzhen, our wholly owned subsidiary MTR Corporation (Shenzhen) Limited (SZMTR) took over the operations of the five-station 4.5-km Phase 1 of Shenzhen Metro Line 4 (SZL4) in July 2010. Our operations in the UK, Sweden and Australia, also made progress.

In Hong Kong construction is under way on the West Island Line and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Express Rail Link). The planning, design and approval processes for the South Island Line (East), Kwun Tong Line Extension and Shatin to Central Link projects have all been advanced during the year.

Total revenue in 2010 rose by 57.0% to HK\$29,518 million. Operating profit from railway and related businesses before depreciation, amortisation and variable annual payment increased by 14.7% to HK\$10,917 million. Excluding our overseas railway subsidiaries, revenue was 9.1% higher and operating profit was 11.9% higher, while operating margin improved by 1.4 percentage points to 54.9%. Property development profit for the year was HK\$4,034 million compared to HK\$3,554 million in 2009. Excluding investment properties revaluation and the related deferred tax, net profit from underlying businesses attributable to equity shareholders increased by 18.5% to HK\$8,657 million, representing earnings per share of HK\$1.51. Gain on revaluation of investment

properties was HK\$4,074 million pre-tax (HK\$3,402 million post-tax) as compared with HK\$2,798 million pre-tax for 2009. Therefore net profit attributable to equity shareholders increased by 25.1% to HK\$12,059 million, equivalent to earnings per share of HK\$2.10 after such revaluation. Your Board has recommended a final dividend of HK\$0.45 per share, resulting in a total dividend for the year of HK\$0.59 per share as compared with HK\$0.52 per share in 2009.

Hong Kong Passenger Services

Hong Kong fare revenue, which comprises our rail, light rail and bus services, reached HK\$12,459 million in 2010, 8.4% higher than for 2009.

Patronage

Total patronage in Hong Kong increased by 6.8% over the previous year to 1,608.5 million.

Patronage on the Domestic Service rose by 6.6% over 2009 to 1,298.7 million. This growth was due to a combination of the full year effect of the opening of the Kowloon Southern Link and the LOHAS Park Station, both in the second half of 2009, strong tourist arrivals in Hong Kong as well as the economic recovery. Average weekday patronage was 3.8 million, an increase of 6.4% over the previous year.

The Cross-boundary Service at Lo Wu and Lok Ma Chau reported a 6.3% rise in patronage over 2009 to 100.0 million in 2010, due to the economic recovery and an increase in tourists from the Mainland of China.

Passenger traffic on the Airport Express in 2010 increased by 12.9% over 2009 to 11.1 million journeys, boosted by the revival in air travel as the global economy improved as well as the one-off "River of Wisdom – Animated Version of the Riverside Scene at Qingming Festival" exhibition at the AsiaWorld-Expo in November.

Passenger volume on Light Rail, Bus and Intercity services totalled 198.7 million in 2010, an increase of 8.0% over 2009.

Market Share

The Company's overall share of the franchised public transport market in Hong Kong rose from 42.6% in 2009 to 44.3% in 2010. Within this total, our share of the cross-harbour traffic increased from 64% to 65.3%. Our Cross-boundary business market share was 55.0% in 2010.

CEO's Review of Operations and Outlook

Fare Revenue

Domestic Service fare revenue increased by 8.5% in 2010 to HK\$8,668 million, accounting for 69.6% of the total Hong Kong fare revenue of HK\$12,459 million. Average fare per passenger on our Domestic Service increased by 1.9% to HK\$6.67, mainly due to an adjustment to fares in June 2010 as well as longer passenger trips after the opening of the Kowloon Southern Link, which connected the East Rail Line and West Rail Line.

Fare revenue from the Cross-boundary Service in 2010 was HK\$2,487 million, an increase of 6.9% over 2009. Airport Express fare revenue reached HK\$694 million in 2010, a rise of 12.5% as compared with 2009. Fare revenue from Light Rail, Bus and Intercity services was HK\$610 million in 2010, a rise of 7.4% over 2009.

Service and Performance

As in previous years, we exceeded all our performance standards, including both those stipulated in the Operating Agreement and our own more demanding Customer Service Pledges.

The Company's service performance was widely recognised in Hong Kong, including the Hong Kong Service Awards in the Public Transportation Category presented by East Week magazine and as the category award winner in the Public Transportation Category of the Sing Tao Excellent Services Brand Award 2009 organised by Sing Tao Daily.

To seek continuous service improvement, we continue to upgrade our stations and rolling stock. During 2010, renovations were completed in five stations, with work under way in three more. Installation of automatic platform gates at eight above ground stations on the Island, Kwun Tong and Tsuen Wan lines have commenced. Platform queuing tiles have been installed at ten West Rail Line stations. A new noise enclosure was constructed for the tracks at Wo Liu Hang in Fo Tan in March 2010.

Eight new light rail vehicles were put into operation in 2010. Ten new underground trains are targeted for delivery in 2011. We have also modified train compartments to make them more accessible for the disabled and added more ramps and wide gates at stations.

Station Commercial and Rail Related Businesses

Revenue from our station commercial and rail related businesses rose by 11.6% over 2009 to HK\$3,715 million. The increase was mainly due to a strong recovery in the advertising

business, good rental reversion and an increase in the rental area of station shops. Project management on behalf of Government in relation to the Express Rail Link also added to revenue and, in similar amount, to expenses.

Station retail revenue in 2010 was HK\$1,716 million, an increase of 6.9% as compared with 2009. The rise in revenue reflects the increased rental rates resulting from a refinement of trade mix and an active economy, as well as an increase in the number of shops.

The total number of station shops increased from 1,228 at the end of 2009 to 1,254 at the end of 2010, and the total area of station retail space increased from 52,788 square metres at the end of 2009 to 53,880 square metres.

Advertising revenue in 2010 increased by 22.9% over 2009 to HK\$734 million, reflecting an improving economy, and the timely launch of new advertising packages.

Revenue from our telecommunications business in 2010 was 6.2% higher than in 2009 at HK\$290 million. The increase was due to incremental income from mobile phone networks at new stations, the strong growth of 3G data transmission as well as rentals from new rooftop sites as mobile phone operators expanded their outdoor network coverage.

Revenue from external consultancy in 2010 was HK\$113 million. This decline of 28.9% over 2009 reflects completion of the Airport Authority Hong Kong Automatic People Mover Modification Works project in June 2009.

The small and unprofitable freight business was wound down in June 2010.

Property and Other Businesses

The Hong Kong property market was buoyant throughout most of 2010, due to a combination of low interest rates, the economic recovery and increased purchases by Mainland Chinese buyers.

To increase transparency in the sales process of primary residential units, Government introduced a number of measures, such as more detailed listing of the composition of saleable floor area, and the disclosure of price lists three days in advance of sale, all of which we welcome and support. To promote sustainable development, Government also announced measures which made conditions to obtain additional developable floor area

for environmental features more restrictive. We are taking steps to comply with these new requirements while mitigating any potential impact on the Company.

In November, Government introduced special stamp duty on properties sold within two years of purchase, with the aim of discouraging speculative purchases. This action led to a reduction in sales volumes, although prices remained relatively firm. Sales volume in the secondary market saw a recovery starting in early 2011.

Property Development

Profit from property development in 2010 was HK\$4,034 million, with the major contribution from Le Prestige at LOHAS Park. The sale of units in inventory at The Palazzo in Fo Tan and Lake Silver in Wu Kai Sha also added to this result.

Pre-sales commenced for Phase 1 and Phase 2 of Festival City at Tai Wai Maintenance Centre in March and November 2010 respectively. By the end of 2010, approximately 47% of the 2,728 units in the two phases had been sold.

Occupation Permits were issued for Le Prestige, Phase 2a of LOHAS Park in January 2010 and Festival City Phase 1 and Phase 2 at Tai Wai Maintenance Centre in February 2010 and November 2010 respectively.

In our property tendering activity, we awarded Austin Station Sites C and D to Fast New Limited, a consortium of New World Development Company Limited and Wheelock Properties Limited, in March 2010. We contributed HK\$3.9 billion to this development as part of the land premium payments for the sites.

In the second half of 2010, Government introduced a number of new measures relating to property development as discussed above, which has resulted in some adjustments to our property development plans.

Property Rental, Property Management and Other Businesses

The combined revenue of our property rental, property management and other businesses increased by 9.3% in 2010, as compared with 2009, to HK\$3,200 million.

Total property rental income from Hong Kong and the Mainland of China rose by 8.2%, to HK\$2,758 million. Our shopping mall portfolio in Hong Kong reported an average rental reversion of

14% for the year. At 31 December 2010, our 12 shopping malls in Hong Kong and the Company's 18 floors at Two International Finance Centre remained close to 100% let. Our shopping malls in Hong Kong continued to receive recognition, winning over ten international and local awards.

In Hong Kong, at the end December 2010, the Company's attributable share of investment properties comprised of 225,650 square metres of lettable floor area of retail properties and 41,090 square metres of lettable floor area of offices.

Property management revenue in 2010 was 1.9% lower, as compared with 2009, at HK\$203 million. The number of residential units under our management in Hong Kong rose from 79,449 to 81,962 units.

Ngong Ping 360

The Ngong Ping cable car and associated theme village on Lantau Island saw revenue increase by 38.2% to HK\$239 million in 2010, as visitor numbers rose from about 1.4 million in 2009 to 1.7 million in 2010. The improved performance was the result of smooth operations, increased sales of the premium "crystal cabin ride", active promotional programmes and the success of our new travel agency, "360 Holidays" in promoting Lantau as a tourist destination.

Octopus

Octopus continued its expansion in the retail sector by recruiting more small to medium-sized retail merchants and introducing new applications to provide greater convenience to consumers and businesses. By the end of December, there were over 3,000 Octopus service providers in Hong Kong, including those served by Octopus-appointed acquirers. Cards in circulation were 23.1 million and average daily transaction volume and value were 11.5 million and HK\$106.6 million respectively. The Company's share of Octopus' net profit for 2010 was HK\$126 million, a decrease of 15.4% from 2009 mainly due to one-off expenses incurred by Octopus relating to the data privacy incident.

Mainland of China and Overseas Businesses

The Company's operating railway franchises outside of Hong Kong in 2010 comprised of our 49% interest in Beijing MTR Corporation Limited (BJMTR), which operates the BJL4 and our 100% interest in SZMTR, which operates the SZL4, both in the Mainland of China, our 60% interest in Metro Trains Melbourne

CEO's Review of Operations and Outlook

Pty. Ltd. (MTM) in Australia, our 100% interest in MTR Stockholm AB (MTRS) in Sweden, our 50% interest in Tunnelbanan Teknik Stockholm AB (TBT), which maintains rolling stock for MTRS, and our 50% interest in London Overground Rail Operations Limited (LOROL) in the UK.

Revenue from railway subsidiaries outside of Hong Kong, MTM, MTRS and SZMTR, was HK\$10,144 million. Operating costs were HK\$9,865 million, yielding an operating profit of HK\$279 million and an operating profit margin of 2.8%. As operation and maintenance franchises, MTM and MTRS require modest capital investment and hence operating margins will typically be much lower than for more capital intensive projects. SZMTR, which commenced operations on 1 July 2010, made a small operating loss, as expected, in 2010. Although the financial performance for MTM has been encouraging, MTRS has not met expectations financially and measures have been implemented to enhance operating efficiency. BJMTR, LOROL and TBT are accounted for as associates, and contributed a total of HK\$22 million in post-tax profit in 2010, better than expectations.

Total passengers carried by our rail subsidiaries and associates outside of Hong Kong was close to 850 million in 2010.

BJL4's total ridership in 2010 exceeded 250 million passenger trips, with a daily average of 750,000 trips. On 1 May 2010, the line reported a record ridership of 1 million passenger trips. Performance in terms of average train service availability and punctuality have exceeded targets. On 30 December 2010, the 22-km Daxing Line extension of BJL4 opened for passenger service. BJMTR has an operation and maintenance contract only for the Daxing Line.

In Shenzhen, SZMTR took over the operations of the five-station 4.5-km Phase 1 SZL4 on 1 July 2010. Performance has been good, with average train service delivery and punctuality both exceeding targets. Work progresses well on the ten-station 16-km Phase 2 of SZL4, which is expected to open in the middle of 2011.

With key personnel changes at major stakeholders in Shenyang, including its municipal Government, our 49% owned Shenyang operation and maintenance joint venture has been presented with serious obstacles and is prevented from delivering on the proposed scope of its contract. We are in discussions with the relevant Shenyang parties to resolve this matter, which will lead to our withdrawal from Shenyang. Our investment relating to

the joint venture comprises mainly staff costs employed by or supporting the joint venture company and is written off in the 2010 accounts.

In the UK, the introduction of new trains during the year contributed to further service improvements by LOROL. In May 2010, LOROL started full passenger services on the refurbished and extended East London Line, increasing the overall route length from 85 km to 110 km.

In Stockholm, MTRS has returned satisfactory operational performance since the start of operations in November 2009. Performance in terms of average train service punctuality exceeded target.

In Melbourne, MTM encountered a number of operational issues in the first half of the year. Remedial measures were introduced, resulting in improved performance in the second half of the year. MTM has continued to implement asset reliability and operational initiatives aimed at improving performance.

Future Growth

Growth in Hong Kong

We made good progress during the year on the five major projects now under way to extend the railway network in Hong Kong, namely the West Island Line, South Island Line (East), Kwun Tong Line Extension, Express Rail Link and Shatin to Central Link.

All of the Government financial grants for the 3-km West Island Line have been received and construction work is progressing on schedule. All civil works contracts for this project were awarded by April 2010. The civil infrastructure works for the Kennedy Town Swimming Pool (Phase 1) and the David Trench Rehabilitation Centre were substantially completed by the end of 2010. This project has carefully integrated community aspirations to preserve local heritage and create opportunities for urban renewal.

The Government published the gazette amendment for the 7-km South Island Line (East) railway scheme on 4 June 2010 and the project was authorised by the Executive Council on 30 November 2010. The detailed design for the project has been substantially completed. The proposal to zone the Wong Chuk Hang site, which will be used for the depot, into a Comprehensive Development Area for integrated property development, was agreed by the Town Planning Board in June

2010. Formal approval under the Town Planning Ordinance is expected later in 2011. Financial viability for the South Island Line (East) is expected to be achieved using the "Rail plus Property" model.

The 3-km Kwun Tong Line Extension scheme was authorised by the Executive Council on 30 November 2010. The detailed design has been substantially completed. It is proposed to use property development rights above Ho Man Tin Station to achieve financial viability for this line under the "Rail plus Property" model.

The Hong Kong Government will fund the costs for construction of the 26-km Express Rail Link, but has entrusted the design and construction of the line to the Company and has agreed to invite the Company to operate the service on a concession basis upon completion. The Entrustment Agreement for construction was signed on 26 January 2010. Construction started in January 2010 and is making good progress.

Station designs and construction planning for the 17-km Shatin to Central Link are being progressed in parallel with further consultation with local communities and other stakeholders. The scheme was gazetted on 26 November 2010. On 18 February 2011, the advanced funding for the construction of the Shatin to Central Link's share of Admiralty Station and Ho Man Tin Station was approved by the Finance Committee of Legislative Council. This will facilitate further progress for the South Island Line (East) and Kwun Tong Line Extension in the first half of 2011.

Growth in Mainland of China and Overseas

Construction work on SZL4 Phase 2 has made good progress with rolling stock manufacturing well advanced. Full line operation, encompassing Phase 1 and Phase 2, is expected to commence in the middle of 2011.

The Public-Private-Partnership project for the investment in, construction and operation of the 48-km Hangzhou Metro Line 1, for which we entered into a Concession Agreement in March 2010, is awaiting regulatory approval from the Central Government.

Financial Review

Total turnover of the Group in 2010 increased by 57.0% from 2009 to HK\$29,518 million as a result of the strong economic rebound in Hong Kong as well as the full-year operation of the international railway subsidiaries. Hong Kong fare revenue grew

by 8.4% to HK\$12,459 million while non-fare revenue increased by 10.5% to HK\$6,915 million. With the full year of operating results from our subsidiaries in Stockholm and Melbourne as well as six months of results from SZL4 Phase 1, which we took over in mid-2010, revenue of HK\$10,144 million was generated from these subsidiaries. Including railway subsidiaries outside of Hong Kong, total operating costs in 2010 increased by 100.4% to HK\$18,601 million. Excluding these subsidiaries, operating costs grew by 5.9% compared with a 9.1% increase in revenues. The resulting operating profit before depreciation, amortisation and variable annual payment to KCRC for the service concession increased by 14.7% to HK\$10,917 million, with operating profit margin decreasing by 13.6 percentage points to 37.0%. Excluding the railway subsidiaries outside of Hong Kong, operating profit margin would have increased by 1.4 percentage points to 54.9% with operating profit increasing by 11.9% to HK\$10,638 million. Property development profits in 2010 were HK\$4,034 million, mainly from Le Prestige. The one-month provision of variable annual payment to KCRC in 2010 was HK\$45 million. After accounting for depreciation and amortisation of HK\$3,120 million, interest and finance charges of HK\$1,237 million, investment property revaluation gains of HK\$4,074 million, share of profits of non-controlled subsidiaries and associates of HK\$139 million and income tax of HK\$2,590 million, net profit attributable to equity shareholders of the Company in 2010 increased by 25.1% to HK\$12,059 million, or HK\$2.10 per share. Excluding investment property revaluation, net profit attributable to shareholders increased by 18.5% to HK\$8,657 million, or HK\$1.51 per share.

As at 31 December 2010, the Group's net assets increased by 10.2% to HK\$117,293 million with a 2.9% increase in total assets and a 8.1% decrease in total liabilities. The increase in assets was mainly due to investment property revaluation gains, construction progress of SZL4 and land premium payment for Austin Station Sites C and D. The receipt of West Island Line Government funding support of HK\$12,252 million in 2010 led to the decrease in the amounts due from Government and other related parties while this receipt, together with strong cash flow, increased the investments in securities and cash balance. The reductions in liabilities were mainly attributable to the utilisation of West Island Line Government funding support and repayment of debts from surplus cash. With the share capital, share premium and capital reserves increasing by HK\$1,237 million and retained earnings and other reserves increasing by

CEO's Review of Operations and Outlook

HK\$9,526 million, total equity attributable to shareholders of the Company grew by 10.1% to HK\$117,150 million. The net debt-to-equity ratio decreased from 25.8% at 2009 year end to 12.8% at 2010 year end.

During the year, the Group generated net cash inflow from operating activities after tax payments of HK\$10,907 million, an increase of 34.5%. Cash receipts from property developments were HK\$5,249 million, while other cash receipts amounted to HK\$166 million. After netting off total cash outflows of HK\$15,711 million, mainly for capital projects, property developments, fixed annual payment as well as interest and dividend payments, net cash inflow of HK\$611 million was generated. Including the West Island Line Government funding support of HK\$12,252 million, total net cash inflow of the Group in 2010 was HK\$12,863 million, of which HK\$3,015 million was used to reduce debt while HK\$3,624 million was invested in bank medium term notes.

Following our progressive dividend policy, the Board has recommended a final dividend of HK\$0.45 per share, which, when added to the interim dividend of HK\$0.14 per share, gives a total dividend of HK\$0.59 per share for the year, an increase of HK\$0.07 per share or 13.5% from last year.

Human Resources

The Company has expanded its businesses rapidly in recent years and now employs some 13,829 people in Hong Kong and 6,672 outside of Hong Kong, including those employed by our subsidiaries.

Proactive recruitment planning, appropriate training and open communication have helped the Company to attract and retain the people we need and have underpinned harmonious staff relations. In Hong Kong, over 1,000 vacancies for operating railway staff were filled and 430 new recruits were hired in the Projects Division during the year. Recruitment for our graduate and apprentice schemes was also increased to support our business expansion. Staff retention continues to be effective through reinforcing career advancement for high calibre staff, competitive employment terms and conditions, and staff consultation programmes and motivational schemes.

We strive to develop our colleagues to ensure that they are fully equipped to meet the challenges and opportunities ahead and align their personal goals with the Company's goals. We have also put in place effective programmes to groom future leaders for the Company.

Outlook

In spite of some uncertainties, global economic recovery should continue in 2011.

In this environment our rail business should see continued patronage growth whilst any fare adjustment will be implemented in June 2011 in accordance with the Fare Adjustment Mechanism. Our station commercial and property rental businesses will benefit from a more promising market whilst we expect further recovery in our advertising business.

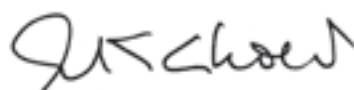
The year 2011 will see the first full year of variable annual payment to KCRC in line with the Rail Merger.

In our railway franchises outside of Hong Kong, we expect to open Phase 2 of SZL4 in the middle of 2011.

In our property development business, recognition of profit from Festival City in Tai Wai is based on the later of the date when Occupation Permit for the third Phase is issued or the date when sales proceeds exceed the cost of development. Currently, Occupation Permit for Phase 3 is expected by December 2011. At Area 56 in Tseung Kwan O where we have a share in the 20,000 square metre shopping mall, Occupation Permit was issued in January 2011. Hence we will book profits on this mall in the first half of 2011 based on the assessed value of our share of the mall. The mall will open for business in early 2012. Apart from our share of the mall, we have no further financial interest in the Area 56 development.

In our property tendering activities, from now until the end of 2011, we may tender out the Tai Wai Station and the smaller Tin Shui Wai sites, subject to market conditions. The Tai Wai Station site is above East Rail Line Tai Wai Station, whilst our Tin Shui Wai site is above a Light Rail stop. For West Rail development sites, where we only act as agent for Government, we may tender out the Nam Cheong Station site and the Tsuen Wan West (TW5) site in the second half of 2011.

Finally, I take this opportunity to thank my fellow directors and all of my over 20,000 colleagues for their dedication and hard work. They are the heroes of MTR.



C K Chow, Chief Executive Officer
Hong Kong, 3 March 2011

Key Figures

	2010	2009	% Increase/ (Decrease)
Financial highlights (HK\$ million)			
Revenue			
– Hong Kong Fare	12,459	11,498	8.4
– Non-fare	6,915	6,256	10.5
– Railway subsidiaries outside of Hong Kong	10,144	1,043	872.6
Operating profit from railway and related businesses before depreciation, amortisation and variable annual payment arising from the Rail Merger	10,917	9,515	14.7
Profit on property developments	4,034	3,554	13.5
Operating profit before depreciation, amortisation and variable annual payment arising from the Rail Merger	14,951	13,069	14.4
Profit attributable to equity shareholders	12,059	9,639	25.1
Profit attributable to equity shareholders (excluding change in fair value of investment properties and related deferred tax)	8,657	7,303	18.5
Total assets	181,665	176,494	2.9
Loans, other obligations and bank overdrafts	21,057	23,868	(11.8)
Obligations under service concession	10,749	10,625	1.2
Total equity attributable to equity shareholders	117,150	106,387	10.1
Financial ratios			
Operating margin (%)	37.0	50.6	(13.6)% pts.
Operating margin (excluding railway subsidiaries outside of Hong Kong) (%)	54.9	53.5	1.4% pts.
Net debt-to-equity ratio* (%)	12.8	25.8	(13.0)% pts.
Return on average equity attributable to equity shareholders (%)	10.8	9.4	1.4% pts.
Return on average equity attributable to equity shareholders (excluding change in fair value of investment properties and related deferred tax) (%)	7.7	7.2	0.5% pt.
Interest cover (times)	10.5	7.1	3.4 times
Share information			
Basic earnings per share (HK\$)	2.10	1.69	24.3
Basic earnings per share (excluding change in fair value of investment properties and related deferred tax) (HK\$)	1.51	1.28	18.0
Dividend per share (HK\$)	0.59	0.52	13.5
Share price at 31 December (HK\$)	28.30	26.80	5.6
Market capitalisation at 31 December (HK\$ million)	163,364	153,506	6.4
Operations highlights			
Total passenger boardings			
– Domestic Service (million)	1,298.7	1,218.8	6.6
– Cross-boundary Service (thousand)	99,954	94,016	6.3
– Airport Express (thousand)	11,145	9,869	12.9
– Light Rail (thousand)	154,522	143,489	7.7
Average number of passengers (thousand)			
– Domestic Service (weekday)	3,770	3,544	6.4
– Cross-boundary Service (daily)	273.8	257.6	6.3
– Airport Express (daily)	30.5	27.0	12.9
– Light Rail (weekday)	433.0	402.1	7.7
Fare revenue per passenger (HK\$)			
– Domestic Service	6.67	6.55	1.9
– Cross-boundary Service	24.89	24.75	0.5
– Airport Express	62.28	62.48	(0.3)
– Light Rail	2.65	2.68	(1.0)
Proportion of franchised public transport boardings (%)	44.3	42.6	1.7% pts.

* Including obligations under service concession and loan from holders of non-controlling interests as components of debts and investments in bank medium term notes as a component of cash.

Ten-Year Statistics

	2010	2009	2008	2007 [#]	2006	2005	2004	2003	2002	2001
Financial										
Profit and Loss Account (HK\$ million)										
Turnover	29,518	18,797	17,628	10,690	9,541	9,153	8,351	7,594	7,686	7,592
Operating profit before depreciation, amortisation and variable annual payment arising from the Rail Merger	14,951	13,069	14,009	14,229	11,032	11,259	9,110	9,116	7,769	7,301
Depreciation and amortisation	3,120	2,992	2,944	2,752	2,688	2,695	2,512	2,402	2,470	2,178
Interest and finance charges	1,237	1,504	1,998	1,316	1,398	1,361	1,450	1,539	1,125	874
Change in fair value (net of deferred tax) on investment properties	3,402	2,336	99	6,609	1,797	2,310	2,051	–	–	–
Profit	12,172	9,639	8,280	15,182	7,758	8,463	6,543	4,450	3,579	4,278
Profit from underlying businesses attributable to equity shareholders [†]	8,657	7,303	8,185	8,571	5,962	6,140	4,492	4,450	3,579	4,278
Dividend proposed and declared	3,405	2,977	2,715	2,522	2,328	2,299	2,259	2,215	2,161	2,118
Earnings per share (HK\$)	2.10	1.69	1.47	2.72	1.41	1.55	1.23	0.85	0.70	0.85
Balance Sheet (HK\$ million)										
Total assets	181,665	176,494	159,338	155,668	120,421	113,666	106,674	102,366	101,119	98,126
Loans, other obligations and bank overdrafts	21,057	23,868	31,289	34,050	28,152	28,264	30,378	32,025	33,508	31,385
Obligations under service concession	10,749	10,625	10,656	10,685	–	–	–	–	–	–
Deferred income	605	167	156	515	1,682	3,584	4,638	5,061	6,226	8,411
Total equity attributable to equity shareholders	117,150	106,387	97,801	91,014	76,767	69,875	61,892	57,292	53,574	53,893
Financial Ratios										
Operating margin (%)	37.0	50.6	53.0	55.4	54.7	55.9	54.4	49.3	52.2	53.4
Operating margin (excluding railway subsidiaries outside of Hong Kong) (%)	54.9	53.5	53.0	55.4	54.7	55.9	54.4	49.3	52.2	53.4
Non-fare revenue as a percentage of turnover (excluding railway subsidiaries outside of Hong Kong) (%)	35.7	35.2	35.0	33.4	31.6	31.4	29.0	27.7	25.6	24.6
Net debt-to-equity ratio (%)	12.8	25.8	42.1	48.5	36.3	39.9	48.6	55.2	59.3	57.8
Net debt-to-equity ratio (excluding revaluation reserves) (%)	13.0	26.1	42.5	49.2	36.7	40.3	48.9	62.6	67.4	66.0
Interest cover (times)	10.5	7.1	6.0	9.0	6.7	7.6	6.1	5.6	4.5	3.8
Employees										
Corporate management and support departments	1,362	1,319	1,235	1,530	823	810	792	793	824	870
Station commercial and rail related businesses	256	294	293	305	82	82	67	61	62	60
Operations	8,914	8,632	8,540	8,770	4,521	4,600	4,669	4,730	4,836	4,756
Projects	1,794	1,365	995	942	260	242	362	398	546	973
Property and other businesses	1,291	1,242	1,170	1,141	832	688	660	642	618	567
China and international businesses	212	239	197	135	112	83	–	–	–	–
Offshore employees	6,672	7,059	1,646	1,311	733	486	5	5	5	5
Total	20,501	20,150	14,076	14,134	7,363	6,991	6,555	6,629	6,891	7,231

[†] Excluding change in fair value of investment properties net of related deferred tax

	2010	2009	2008	2007 [#]	2006	2005	2004	2003	2002	2001
Hong Kong Passenger Services										
Revenue car km operated (thousand)										
Domestic and Cross-boundary	253,067	247,930	245,856	128,041	115,784	114,449	114,364	112,823	103,318	96,751
Airport Express	19,833	19,643	19,891	19,956	20,077	17,122	16,081	15,227	19,467	19,458
Light Rail	9,586	8,950	8,984	755	-	-	-	-	-	-
Total number of passengers (thousand)										
Domestic Service	1,298,714	1,218,796	1,205,448	915,755	866,754	857,954	833,550	770,419	777,210	758,421
Cross-boundary Service	99,954	94,016	93,401	8,243	-	-	-	-	-	-
Airport Express	11,145	9,869	10,601	10,175	9,576	8,493	8,015	6,849	8,457	9,022
Light Rail	154,522	143,489	137,730	11,100	-	-	-	-	-	-
Bus	40,883	37,522	34,736	2,757	-	-	-	-	-	-
Intercity	3,244	2,921	3,220	285	-	-	-	-	-	-
Average number of passengers (thousand)										
Domestic Service – weekday average	3,770	3,544	3,514	2,662 [§]	2,523	2,497	2,403	2,240	2,261	2,231
Cross-boundary Service – daily average	274	258	255	- [⊗]	-	-	-	-	-	-
Airport Express – daily average	31	27	29	28	26	23	22	19	23	25
Light Rail – weekday average	433	402	385	- [⊗]	-	-	-	-	-	-
Bus – weekday average	118	107	99	- [⊗]	-	-	-	-	-	-
Intercity – daily average	9	8	9	- [⊗]	-	-	-	-	-	-
Average passenger km travelled										
Domestic and Cross-boundary	10.9	10.7	10.4	7.9	7.7	7.6	7.7	7.7	7.6	7.4
Airport Express	29.4	29.5	29.4	29.5	29.7	30.4	30.2	29.7	29.9	29.8
Light Rail	2.8	2.9	3.0	3.0	-	-	-	-	-	-
Bus	4.5	4.6	4.6	4.6	-	-	-	-	-	-
Average car occupancy (number of passengers)										
Domestic and Cross-boundary	60	57	55	58	58	57	56	53	57	58
Airport Express	17	15	16	15	14	15	15	13	13	14
Light Rail	45	46	46	45	-	-	-	-	-	-
Proportion of franchised public transport boardings (%)										
	44.3	42.6	42.0	26.7	25.0	25.2	24.8	24.3	23.5	23.5
HK\$ per car km operated (all services)										
Fare revenue	42.6	40.2	40.3	47.6	48.0	47.7	45.5	42.9	46.6	49.3
Operating costs	21.2	21.1	20.9	21.4	22.0	22.7	22.2	22.5	22.8	24.6
Operating profit	21.4	19.1	19.4	26.2	26.0	25.0	23.3	20.4	23.8	24.7
HK\$ per passenger carried (all services)										
Fare revenue	7.75	7.63	7.72	7.50	7.44	7.25	7.05	7.06	7.28	7.46
Operating costs	3.85	4.01	4.01	3.38	3.41	3.45	3.44	3.70	3.57	3.72
Operating profit	3.90	3.62	3.71	4.12	4.03	3.80	3.61	3.36	3.71	3.74
Safety Performance										
Domestic, Cross-boundary and Airport Express										
Number of reportable events [^]	1,545	1,539	1,514	989	826	748	701	641	690	686
Reportable events per million passengers carried [^]	1.13	1.16	1.16	1.05	0.94	0.86	0.83	0.82	0.88	0.89
Number of staff and contractors' staff accidents	46	60	42	26	23	31	25	33	24	39
Light Rail										
Number of reportable events [^]	160	146	136	6	-	-	-	-	-	-
Reportable events per million passengers carried [^]	1.07	1.02	0.99	0.54	-	-	-	-	-	-
Number of staff and contractors' staff accidents	5	11	5	-	-	-	-	-	-	-

After the Rail Merger on 2 December 2007, our Domestic Service comprised Kwun Tong Line, Tsuen Wan Line, Island Line, Tung Chung Line, Tseung Kwan O Line, Disneyland Resort Line, as well as East Rail Line excluding Cross-boundary Service, West Rail Line and Ma On Shan Line (which we gained after the Rail Merger). Also after the Rail Merger we gained new passenger services for Cross-boundary Service, Light Rail, Bus and Intercity.

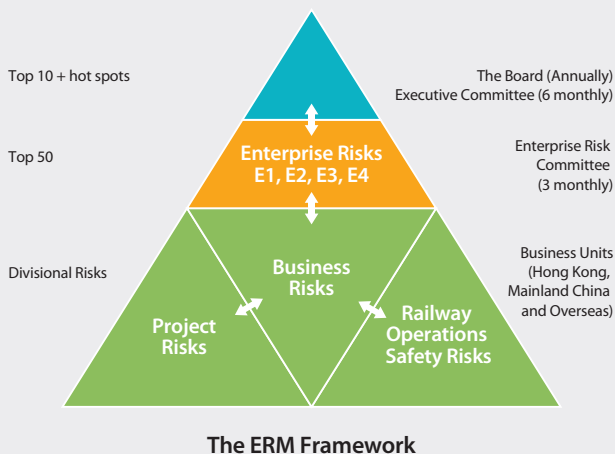
§ The figure includes one month's post-merger passenger numbers of East Rail Line excluding Cross-boundary, West Rail Line and Ma On Shan Line. For the full year of 2007 including pre-merger operations, comparable combined passenger for Domestic Service (as adjusted for interchange passengers) would have been 3,364,000.

⊗ No figure is shown as there was only 1 month's post-merger passenger number. For the full year of 2007 including pre-merger KCR operations, passenger numbers of the services were 252,000 for Cross-boundary Service, 377,000 for Light Rail, 92,000 for Bus and 9,000 for Intercity.

[^] Reportable events are occurrences affecting railway premises, plant and equipment, or directly affecting persons (with or without injuries), that are reportable to the Secretary for Transport and Housing, Government of the Hong Kong SAR under the Mass Transit Railway Regulations, ranging from suicides/attempted suicides, trespassing onto tracks, to accidents on escalators, lifts and moving paths.

Risk Management

The Company's Enterprise Risk Management (ERM) framework is now embedded and dynamically applied across the organisation to prioritise and proactively manage the risks from our existing and growth businesses and from the ever changing external business environment. The ERM framework provides a clear and holistic view of the significant safety, business, finance, legal/regulatory and reputation/political risks facing the Company. It forges sound governance and business practices through identifying the responsible owner and action parties for each risk and ensures that risks are reviewed every six months and that adequate risk control plans are in place. The Enterprise Risk Committee (ERC), which is chaired by the Legal Director & Secretary and comprises management representatives from key business functions, is central to the process. ERC steers the implementation and improvement of the framework and reviews the Top 50 and emerging risks every quarter and reports the key risks to the Executive Committee every six months. Every year, the Audit Committee reviews the risk management process and the Board maintains an oversight of the Top Ten risks and hot spots.



The Company's simple and practical ERM framework is now applied to over 20 key business areas and we have given our staff a suite of supporting tools. Our simple and consistent risk rating language for all kinds of risks is fundamental to our strong risk culture. The Top Ten and Top 50 risk maps are instrumental in providing our Board and management a sharpened focus on our dynamic risk profile.

Risk Management Excellence to Sustain Business Success

The ERM framework has been in operation since early 2006. We maintain a strong impetus to improve our systems and tools through annual reviews with users and cross-industry benchmarking and experience sharing. The key activities undertaken during the year were:-

- Shared and learnt from the third UK ERM roundtable and the second HK ERM roundtable events the best practices for governance of subsidiaries and for establishing a structured ERM training programme for the diverse needs of over 20,000 staff.
- Participated in an industry benchmarking on risk management with global railway companies and contributed our risk management knowledge to a best practice risk management handbook.
- Developed in-house an integrated risk management information system which captures over 5,000 multi-disciplinary risks and embeds our decade of good practices and knowledge into one platform.
- Invigorating ERM and heightening staff members' risk awareness through sharing of lessons learnt, risk management training and on-line discussion forum.
- Capturing business opportunities with confidence and risk intelligence through robust business case reviews and thorough assessment of risks during bidding, project, take-over and operational phases.
- Striving for optimal risk financing and total cost of risk by integrating ERM and insurance review processes.

International Recognition

The Company's collective efforts in ERM are recognised by a world-leading risk management professional body, the Institute of Risk Management. Not only did the Company win top honours as "Risk Management Team of the Year – Commercial" and "ERM Strategy of the Year" but we were also given the "Overall Winner for Outstanding Contribution to the Industry Award". The judges commended that our strategy is "capturing the hearts and minds of employees, establishing a simple and practical framework, demonstrating best practice in many areas and truly embedding ERM within the organisation. In addition, the Board has clearly bought into the ERM process and demonstrated its willingness to invest in its development."

Corporate Governance Report

Corporate Governance Practices

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices. This Report describes how the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Company has fully complied with the Code provisions throughout the year ended 31 December 2010.

The Board of Directors

The overall management of the Company's business is vested in the Board. Pursuant to the Company's Articles of Association ("Articles of Association") and the Protocol adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Committee, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders. These include financial statements, dividend policy, significant changes in accounting policy, annual operating budget, certain material contracts, strategies for future growth, major financing arrangements and major investments, risk management strategies, treasury policies and fare structures.

The Board comprises 12 Members, consisting of one executive Director (the Chief Executive Officer) and 11 non-executive Directors, of whom seven are independent non-executive Directors. In this regard, the Company *well exceeds* the requirement of the Listing Rules which requires every board of directors of a listed issuer to have at least three independent non-executive directors.

Dr. Raymond Ch'ien Kuo-fung, a Member of the Board and the non-executive Chairman of the Company since 1998 and 2003 respectively, was re-appointed by the Government of The Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR") in November 2009 as the non-executive Chairman with effect from December 2009 until December 2012.

As announced by the Company on 29 December 2010, Mr. Chow Chung-kong, a Member of the Board and the Chief Executive Officer of the Company since 2003, will retire from the position of Chief Executive Officer and cease to be a Member of the Board when his current contract as the Chief Executive Officer expires on 31 December 2011. The Company is proceeding with a worldwide search including internal candidates to identify the right candidate for the post of the Chief Executive Officer.

Two of the non-executive Directors (being the office of the Secretary for Transport and Housing ("S for T&H") and the office of the Commissioner for Transport ("C for T")) are appointed by the Chief Executive of the HKSAR under Section 8 of The Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong)("MTR Ordinance"). During the year, Ms. Eva Cheng held the post of the S for T&H and Mr. Joseph Lai Yee-tak was the C for T. Another non-executive Director, Professor Chan Ka-keung, Ceajer, is the Secretary for Financial Services and the Treasury of the Government of the HKSAR. The Government of the HKSAR through The Financial Secretary Incorporated, holds approximately 76.8% of the issued share capital of the Company.

At the 2010 Annual General Meeting on 27 May 2010 (the "2010 AGM"), Mr. Vincent Cheng Hoi-chuen retired from office pursuant to Article 85 of the Articles of Association and was elected as a Member of the Board. In addition, Mr. Chow Chung-kong and Ms. Christine Fang Meng-sang retired from office by rotation pursuant to Articles 87 and 88, and were re-elected as Members of the Board at the 2010 AGM.

Mr. Allister George Morrison (also known as Alasdair George Morrison), a businessman with international exposure through his holding of a number of senior executive positions in leading multinational enterprises particularly in Asia (Mr. Morrison's biography is set out on page 39), has been appointed as an independent non-executive Director with effect from 9 July 2010, thus increasing the number of independent non-executive Director of the Company to seven. Also, with effect from the same date, Mr. Morrison has been appointed as a Member of both the Audit Committee and the Remuneration Committee of the Board.

Coming from diverse business and professional backgrounds, the non-executive Directors actively bring their valuable experience to the Board for promoting the best interests of the Company and its shareholders. On the other hand, the independent non-executive Directors contribute to ensuring that the interests of all shareholders of the Company are taken into account by the Board and that relevant issues are subjected to objective and dispassionate consideration by the Board.

During the year, the Company has received confirmation from each independent non-executive Director about his/her independence under the Listing Rules, and continues to consider each of them to be independent.

Corporate Governance Report

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Company. They are requested to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity to the Company twice a year. At the July 2010 and January 2011 Board Meetings, Directors had been advised of the increased level of continuous disclosure of information about and by them, together with other matters relating to Directors, in the light of their duties under general law (common law and legislation) and the Listing Rules.

Biographies of the Members of the Board are set out on pages 38 to 40. Save as disclosed in this Report, none of the Members of the Board and the Executive Directorate has any relationship (including financial, business, family or other material or relevant relationships) between each other, although the office of the S for T&H (Ms. Eva Cheng) and the office of the C for T (Mr. Joseph Lai Yee-tak) were both appointed by the Chief Executive of the HKSAR, and Professor Chan Ka-keung, Ceajer is the Secretary for Financial Services and the Treasury of the Government of the HKSAR, and Ms. Christine Fang Meng-sang sits on various government advisory committees.

As permitted under its Articles of Association, the Company has arranged Directors' and Officers' Liability Insurance for which Members of the Board and officers of the Company do not have to bear any excess.

Chairman and Chief Executive Officer

The posts of Chairman and Chief Executive Officer are distinct and separate (please refer to The Board of Directors section regarding their appointments on page 19). The non-executive Chairman is responsible for chairing and managing the operations of the Board, as well as monitoring the performance of the Chief Executive Officer and Members of the Executive Directorate. Apart from making sure that adequate information about the Company's business is provided to the Board on a timely basis, the Chairman provides leadership for the Board,

and ensures views on all principal and appropriate issues are exchanged by all Directors (including the non-executive Directors) in a timely manner, by encouraging them to make a full and effective contribution to the discussion. Under the Chairman's guidance, all decisions have reflected the consensus of the Board. As head of the Executive Directorate and chairman of the Executive Committee (which comprises six other Members of the Executive Directorate, General Manager – Corporate Relations, and General Manager – Marketing & Station Commercial), the Chief Executive Officer is responsible to the Board for managing the business of the Company. Biographies of the Members of the Executive Directorate and the other Members of the Executive Committee are set out on pages 40 to 41.

Board Proceedings

The Board meets in person regularly, and all Members of the Board have full and timely access to relevant information and may take independent professional advice at the Company's expense, if necessary, in accordance with the approved procedures. The draft agenda for regular Board Meetings is prepared by the Legal Director & Secretary and approved by the Chairman of the Company. Members of the Board are advised to inform the Chairman or the Legal Director & Secretary not less than one week before the relevant Board Meeting if they wish to include a matter in the agenda of the Meeting. The Board Meeting dates for the following year are usually fixed by the Legal Director & Secretary and agreed by the Chairman some time in the third quarter of each year.

At each regular Board Meeting, Members of the Executive Directorate together with senior managers report to the Board on their respective areas of business, including the operations, progress of projects, property and other businesses, financial performance, legal issues, risk management, corporate governance, human resources and outlook. The Chief Executive Officer also submits his Executive Summary, which focuses

on the overall strategies and principal issues of the Company, to the Board. These reports, together with the discussions at Board Meetings, provide information to enable all Members of the Board to make informed decisions for the benefit of the Company. The agenda together with Board papers are sent in full at least three days before the intended date of the Board Meeting.

All Members of the Board have access to the advice and services of the Legal Director & Secretary, who is responsible for ensuring that the correct Board procedures are followed and advises the Board on all corporate governance matters. The Members of the Board also have full access to all Members of the Executive Directorate as and when they consider necessary.

Unless specifically permitted by the Articles of Association, a Director cannot cast a vote on any contract, transaction, arrangement or any other kind of proposal in which he has an interest and which he knows is material. For this purpose, interests of a person who is connected with a Director (including any of his associates) are treated as the interests of the Director himself. Interests purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. A Director may not be included in the quorum for such part of a meeting that relates to a resolution he is not allowed to vote on but he shall be included in the quorum for all other parts of that Meeting. This reduces potential conflicts which might otherwise arise between the Company's business and an individual Director's other interests or appointments.

Matters to be decided at Board Meetings are decided by a majority of votes from Directors allowed to vote although the usual practice is that decisions reflect the consensus of the Board.

Board Meetings

The Board held seven regular Meetings and one ad hoc Meeting in 2010. In this regard, the Company again *well exceeds* the requirement of the Code which requires every listed issuer to hold Board Meetings at least four times a year.

During 2010 and in addition to the regular reports on the business and financial performance, examples of other key matters discussed at the Board Meetings included Hong Kong's train service (including operations of the Fare Adjustment Mechanism) and railway projects (such as West Island Line and Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link), Mainland of China's railway projects (for example, Shenzhen Metro Line 4 and the Daxing Line) and Beijing Metro Line 4's operations, overseas train operations (London Overground, Stockholm's Metro and Melbourne's Metropolitan train system), property development, shareholders' analysis and investors' feedback, corporate governance, enterprise risk management, corporate sustainability, pay review, and staff relations. A special Board Meeting was held in July on Octopus Holdings Limited's management of personal data.

Private/Other Board Meetings

In addition to the above regular Board Meetings, the Chairman held three private/other Board Meetings during the year.

The first Meeting was held on 30 April 2010 with all non-executive Directors and the Chief Executive Officer without the presence of other Members of Executive Directorate to discuss executive development and succession.

A Meeting on 9 July 2010 was with a majority of other non-executive Directors without the presence of the Chief Executive Officer and other Members of Executive Directorate, to discuss Executive Directorate performance and succession plan.

Another Meeting was held on 7 December 2010 with all non-executive Directors without the presence of the Chief Executive Officer and other Members of Executive Directorate. The Chief Executive Officer's succession planning, commencement of an international search for suitable candidates in 2011 to fill the Chief Executive Officer position, shareholder relations and key executive's pay matters were discussed.

Corporate Governance Report

The attendance record of each Member of the Board (and relevant Members of Executive Directorate who are Members of Corporate Responsibility Committee) is set out below:

Meetings Held in 2010

Directors	Board	Private/ Other Board	Audit Committee	Remuneration Committee	Nominations Committee	Corporate Responsibility Committee	Annual General Meeting
Number of Meetings	8	3	4	4	1	2	1
Non-executive Directors							
Dr. Raymond Ch'ien Kuo-fung (<i>Chairman</i>)	7/8	3/3			1/1	2/2	1/1
Commissioner for Transport (Joseph Lai Yee-tak)	8/8 (Note 2)	3/3	4/4				0/1
Secretary for Transport and Housing (Eva Cheng)	8/8 (Note 3)	2/3 (Note 3)			1/1	2/2 (Note 3)	0/1
Professor Chan Ka-keung, Ceajer	8/8 (Note 4)	3/3 (Note 4)		4/4 (Note 4)	1/1		1/1 (Note 4)
Independent Non-executive Directors							
Vincent Cheng Hoi-chuen	6/8 (Note 5)	2/3		3/4 (Note 5)		1/2	1/1
Christine Fang Meng-sang	8/8	3/3			1/1	2/2	1/1
Edward Ho Sing-tin	8/8	3/3		4/4	1/1		1/1
T. Brian Stevenson	8/8	3/3	4/4	4/4			1/1
Ng Leung-sing	6/8	3/3	4/4		1/1		1/1
Abraham Shek Lai-him	7/8	2/3	2/2		1/1	1/2	1/1
Alasdair George Morrison (Note 1)	5/5	2/2	1/2	1/2			
Executive Directors							
Chow Chung-kong (<i>Chief Executive Officer</i>)	8/8	1/1					1/1
Leonard Bryan Turk (<i>Legal Director & Secretary</i>)						2/2	
Thomas Ho Hang-kwong (<i>Property Director</i>)						2/2	

Notes

- 1 Mr. Alasdair George Morrison was appointed as an independent non-executive Director, as well as a member of the Audit Committee and the Remuneration Committee respectively, on 9 July 2010. 2 Board Meetings attended by Mr. Alasdair George Morrison were by teleconference.
- 2 2 Board Meetings were attended by the alternate director of Mr. Joseph Lai Yee-tak.
- 3 2 Board Meetings, 1 Private/Other Board Meeting and 1 Corporate Responsibility Committee Meeting were attended by an alternate director of Ms. Eva Cheng.
- 4 4 Board Meetings, 2 Private/Other Board Meetings, 2 Remuneration Committee Meetings and the Annual General Meeting were attended by an alternate director of Professor Chan Ka-keung, Ceajer.
- 5 2 Board Meetings and 1 Remuneration Committee Meeting attended by Mr. Vincent Cheng Hoi-chuen were by teleconference.

The minutes of Board Meetings are prepared by Legal Manager – Company Secretarial, the Secretary of the Meetings with details of the matters considered by the Board and decisions reached, including any concerns raised by the Members of the Board or dissenting views expressed. The draft minutes are circulated to all Members of the Board for their comment within a reasonable time after the Meeting. The approved procedure is that the Board formally adopts the draft minutes at the subsequent Meeting. If Members of the Board have any comment on the draft minutes, they will discuss it at that Meeting, followed by a report on what has been agreed in the minutes of that Meeting. Minutes of Board Meetings are kept by the Legal Director & Secretary and open for inspection by all Members of the Board at the Company's registered office.

Material Interests and Voting

All Directors are required to comply with their common law duty to act in the best interests of the Company and have particular regard to the interest of the shareholders as a whole.

Amongst others, all Directors are required to declare their interests, if any, in any transaction, arrangement or other proposal to be considered by the Board at Board Meetings and to abstain from voting on any related resolutions.

Government's Representatives on the Board

The Government of the HKSAR is a substantial shareholder of the Company and the Chief Executive of the HKSAR may, pursuant to Section 8 of the MTR Ordinance, appoint up to three persons as "additional directors". Out of a total of 12 Board Members, three are Government-nominated representatives (being the office of the S for T&H, the office of the C for T (both pursuant to Section 8 of the MTR Ordinance) and Professor Chan Ka-keung, Ceajer) and seven of them (being the *majority*) are independent non-executive Directors.

Each Director appointed by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance or by the Government of the HKSAR through its shareholding must, like any other Director, act in the best interests of the Company.

On appointment to the Board and same as any other Director, each Government-nominated Director is given a comprehensive, formal and tailored induction programme highlighting, among other things, his/her duties under general law, statutes and the

Listing Rules (including the fiduciary duty to act in good faith in the best interests of the Company as a whole, considering the interests of all its shareholders, majority or minority, present and future).

If a conflict arises between the interests of the Company and those of the Government of the HKSAR, a Director appointed by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance or by the Government of the HKSAR through its shareholding, would not be included in the quorum of part of a Meeting that relates to the transaction, arrangement or other proposal being considered by the Board and would not be allowed to vote on the related resolution.

Please refer to pages 20 and 21 regarding the Board proceedings in 2010.

There are a number of contractual arrangements that have been entered into between the Company and the Government of the HKSAR (and its related entities), some of which are continuing in nature. As the Government of the HKSAR is a substantial shareholder of the Company, such contractual arrangements are connected transactions (and in some cases continuing connected transactions) for the purposes of the Listing Rules. (For further information, please refer to the Company's 2010 Annual Report under "Connected Transactions" or visit our website at www.mtr.com.hk.)

Appointment, Re-election and Removal of Members of the Board

A person may be appointed as a Member of the Board at any time either by the shareholders in general meeting or by the Board upon recommendation by the Nominations Committee of the Company. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment. A Director who retires in this way is eligible for election at that annual general meeting, but is not taken into account when deciding which and how many Directors should retire by rotation. In either case, the Directors so elected and appointed are eligible for re-election and re-appointment.

At each annual general meeting of the Company, one third of the Directors (or, if the number of Directors is not divisible by three, such number as is nearest to and less than one third) must retire as Directors by rotation.

Corporate Governance Report

The Chief Executive of the HKSAR may, pursuant to Section 8 of the MTR Ordinance, appoint up to three persons as “additional directors”. Directors appointed in this way may not be removed from office except by the Chief Executive of the HKSAR. These Directors are not subject to any requirement to retire by rotation nor will they be counted in the calculation of the number of Directors who must retire by rotation. In all other respects, the “additional directors” are treated for all purposes in the same way as other Directors and are, therefore, subject to the normal common law duties of directors, including to act in the best interests of the Company. The Chief Executive of the HKSAR has appointed the office of the S for T&H and the office of the C for T as “additional directors”.

The Company has a service contract with each of the non-executive Directors (including Dr. Raymond Ch'ien Kuo-fung (non-executive Chairman) and Professor Chan Ka-keung, Ceajer (Secretary for Financial Services and the Treasury of the Government of the HKSAR)) (save for the “additional directors”) specifying the terms of his/her continuous appointment as a non-executive Director and a Member of the relevant Board Committees, for a period not exceeding three years.

At the 2011 Annual General Meeting and in accordance with Articles 87 and 88 of the Articles of Association, Messrs. Edward Ho Sing-tin, Ng Leung-sing and Abraham Shek Lai-him will retire by rotation and will offer themselves for re-election.

Mr. Edward Ho Sing-tin, an independent non-executive Director and the chairman of both the Nominations Committee and the Remuneration Committee of the Board, joined the Board of the Mass Transit Railway Corporation in 1991. As an architect and the Group Chairman of Wong Tung Group of companies, as well as the only current independent non-executive Director on the Board since the Company's listing in 2000 (hence, has served the Board for more than nine years as contemplated in the Recommended Best Practices of the Code), Mr. Ho brings his valuable business and professional experience to the Board for promoting the best interests of the Company and its shareholders. Under his leadership as the chairman of the Independent Board Committee (which was established in connection with the Rail Merger between the Company and the Kowloon-Canton Railway Corporation), the Rail Merger was successfully implemented in 2007. At the 2008 Annual General Meeting, over 99.9% of the votes were in favour of the re-election of Mr. Ho as a Member of the Board.

The Company entered into a service contract with Mr. Ho for three years with effect from 2008, and has continued to receive written confirmation from him annually on his independence in accordance with the Listing Rules.

Accordingly, the Board has resolved that Mr. Ho continues to be independent and should be re-elected as a Director at the 2011 Annual General Meeting.

The re-appointment of Mr. Ho will be in accordance with the Recommended Best Practices of the Code.

At the 2011 Annual General Meeting and in relation to the retirement by rotation of directors, the Company will continue to comply with its Articles of Association which require one third of the current Directors who are subject to Articles 87 and 88 must retire as directors (i.e. three out of the nine Directors (excluding two Directors appointed pursuant to Section 8 of the MTR Ordinance)). The re-organisation in the Government of the HKSAR and the Rail Merger of the Company with Kowloon-Canton Railway Corporation have brought an increase in the number of Directors last elected/re-elected in the 2008 Annual General Meeting three years ago. For this reason, the Company will, for the first time, not also meet Code provision A.4.2 (which requires every director to be subject to retirement by rotation at least once every three years) in 2011. For Directors retiring and standing for election/re-election at the 2011 Annual General Meeting, please refer to page 43.

Mr. Alasdair George Morrison, who was appointed by the Board after the 2010 Annual General Meeting, will retire under Article 85 of the Articles of Association and will offer himself for election at the 2011 Annual General Meeting.

On appointment to the Board, each of the Directors (including alternate directors) is given a comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company, as well as the general and specific duties of the directors under general law (common law and legislation) and the Listing Rules. All directors (including alternate directors) are also given a Directors' Manual on their appointment which sets out, amongst other things, the Directors' duties and the Terms of Reference of the Board Committees. The Directors' Manual is updated from time to time to reflect developments in those areas, following a report on the same at relevant Board Meeting(s).

To assist Directors' continuing professional development, the Legal Director & Secretary recommends Directors to attend relevant seminars and courses. The costs of such training are borne by the Company. In addition, the Company is in the course of exploring an annual development programme for Directors. During 2010 and in preparing for succeeding Mr. Andrew McCusker as the Operations Director with effect from 1 January 2011, a one to one training programme covering the roles of a director from the strategic, planning and management perspective, as well as the legal and practical aspects of corporate governance and the trends, had been arranged for Dr. Jacob Kam Chak-pui.

Accountability

The Members of the Board are responsible for preparing the accounts of the Company and of the Group. The accounts are prepared on a going concern basis and give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flow for the year then ended. In preparing the accounts for the year ended 31 December 2010, the Members of the Board have selected appropriate accounting policies and, apart from those new and amended accounting policies as disclosed in the notes to the accounts for the year ended 31 December 2010, have applied them consistently with previous financial periods. Judgments and estimates have been made that are prudent and reasonable. The reporting responsibilities of the External Auditor are set out on page 67.

In support of the above, the accounts presented to the Board have been reviewed by the Members of the Executive Directorate. For both the annual and interim reports and accounts, the Finance Division is responsible for clearing them with the External Auditor and then the Audit Committee. In addition, all new and amended accounting standards and requirements, as well as changes in accounting policies adopted by the Company have been discussed and approved at the Audit Committee before adoption by the Company.

Board Committees

As an integral part of good corporate governance, the Board has established a total of *four* Board Committees to oversee particular aspects of the Company's affairs. Each of these Committees is governed by its respective Terms of Reference which are available on the Company's website: www.mtr.com.hk.

The Audit Committee, Remuneration Committee and Nominations Committee comprise *only* non-executive Directors (with the *majority* being independent non-executive Directors). The Corporate Responsibility Committee has seven Members with the majority being non-executive Directors. There are two Members of the Executive Directorate on that Board Committee to facilitate discussion and implementation of policies.

All Committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee consists of four non-executive Directors, three of whom are independent non-executive Directors. The Members of the Committee are Mr. T. Brian Stevenson (chairman), Mr. Ng Leung-sing, the C for T (Mr. Joseph Lai Yee-tak), and Mr. Alasdair George Morrison (effective from 9 July 2010). Mr. Abraham Shek Lai-him served the Committee during the period from 1 February to 9 July 2010. Mr. Stevenson, Mr. Ng, Mr. Morrison and Mr. Shek are also independent non-executive Directors. None of the Committee Members is a partner or former partner of KPMG, the Company's External Auditor. The Finance & Business Development Director, the Head of Internal Audit and representatives of the External Auditor of the Company are expected to attend Meetings of the Committee. At the discretion of the Committee, others may also be invited to attend Meetings. The Committee meets regularly, and the External Auditor or the Finance & Business Development Director may request a Meeting if they consider it necessary.

Duties of Audit Committee

Under its Terms of Reference, the duties of the Audit Committee include financial and efficiency aspects as described below. Amongst other things, the Committee is required to oversee the relationship with the Company's External Auditor, to review the financial information of the Company, and to oversee the Company's financial reporting system and internal control procedures. The Committee discusses with the External Auditor the nature and scope of audit and reporting obligations before the audit commences. Apart from giving pre-approval of all audit services, the Committee also pre-approves any non-audit services for complying with relevant legal requirements. The Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the External Auditor, and approving the remuneration and terms of such engagement.

Corporate Governance Report

With respect to financial information of the Company, the Committee monitors the integrity of financial statements, annual and interim reports and accounts, together with the preliminary announcement of results and other announcements regarding the Company's financial information to be made public. In dealing with the financial information, the Committee liaises with the Board and the Executive Directorate (including the Finance & Business Development Director), and the chairman of the Committee further meets on an ad hoc basis with the Head of Internal Audit, representatives of the External Auditor, and Management. Apart from considering issues arising from the audit, the Committee discusses any matters that auditor(s) may wish to raise either privately or together with executive Director(s) and any other person.

The Committee is required to review, at least annually, the effectiveness of the Company's financial controls, internal control and risk management systems and to report to the Board that such a review has been carried out. These controls and systems allow the Board to monitor the Company's overall financial position and to protect its assets. The Committee's review for 2010 also covered its role in overseeing the Management's review of the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. (Please refer to the section headed "Internal Controls" below.) The Committee reviews and approves the annual Internal Audit Plan which includes audits on the efficiency of chosen activities or operations of the Company. In addition, the Committee reviews periodic reports from the Head of Internal Audit and the follow-up of major action plans recommended, and puts forward recommendations to the Board where appropriate.

The chairman of the Committee summarises activities of the Committee and highlights issues arising therefrom by a report to the Board after each Audit Committee Meeting.

The minutes of the Audit Committee Meetings are prepared by the secretary of the meeting with details of the matters considered by the Committee Members and decisions reached, including any concerns raised by the Committee Members and dissenting views expressed. The draft minutes are circulated to the Committee Members for comments and the final version of the minutes is sent to the Committee Members for their records within a reasonable time after the Meeting and the minutes are open for inspection by the Committee Members at the Company's registered office. With reference to the Agenda Framework, the chairman of the Committee makes final determination on the agenda for the regular Committee Meetings.

Work Performed by Audit Committee

In 2010, the Audit Committee held four Meetings and, based on the Agenda Framework pre-agreed with the chairman of the Committee, a total of four Meetings had been scheduled for 2011. Among the four Meetings held in 2010, the Audit Committee had two separate Meetings for reviewing the annual results for the year ended 31 December 2009. The first Meeting concentrated on the operational, compliance and risk management related items while the second Meeting focused on the accounting and financial reporting matters.

The attendance record of each Audit Committee Member is set out on page 22 under the section "Board Proceedings". The major work performed by the Committee in 2010 included:

- Review of and recommendation for the Board's approval the draft 2009 Annual Report and Accounts and 2010 Interim Report and Accounts;
- Approval of the 2011 Internal Audit Plan;
- Pre-approval of the audit and non-audit services provided by KPMG, the External Auditor, for 2010;
- Approval of the remuneration and terms of engagement of KPMG for the 2010 audit;
- Review of KPMG's ethical and independence policies and procedures;
- Preview of 2010 annual accounting and financial reporting issues;
- Review of the effectiveness of the Company's internal control systems;
- Review of the effectiveness of the Internal Audit Department for 2009;
- Review of a report on staff complaints for 2009;
- Review of enterprise risk management for 2009;
- Review of the outstanding litigation and compliance with statutes and regulations relevant to the business of the Company; and
- Confirmation of the financial figures for the 2009 payout under '2008 Variable Incentive Scheme'.

Representatives of the External Auditor, the Finance & Business Development Director and the Head of Internal Audit attended all those Meetings for reporting and answering questions about their work. Further to that and by invitation, the Operations Director, the Property Director and the Legal Director & Secretary (or their representatives) had respectively provided an overview of the Company's railway operations, property business as well as outstanding litigation, compliance and enterprise risk

management matters to the Members at the Meetings. The Finance & Business Development Director also provided an overview of the business development and expansion outside of Hong Kong.

Remuneration Committee

The Remuneration Committee consists of five non-executive Directors, four of whom are independent non-executive Directors. The Members of the Remuneration Committee are Mr. Edward Ho Sing-tin (chairman), Mr. T. Brian Stevenson, Mr. Vincent Cheng Hoi-chuen, Professor Chan Ka-keung, Ceajer and Mr. Alasdair George Morrison (effective from 9 July 2010). Mr. Ho, Mr. Stevenson, Mr. Cheng and Mr. Morrison are independent non-executive Directors.

Duties of Remuneration Committee

The principal responsibilities of the Remuneration Committee include formulating a remuneration policy and practices that facilitate the employment of top quality personnel, recommending to the Board the remuneration of the Members of the Board who are non-executive Directors, determining the remuneration packages of the Members of the Board who are executive Directors and other Members of the Executive Directorate, and reviewing and approving performance-based remuneration by reference to the Company's goals and objectives.

Work Performed by Remuneration Committee

In 2010, the Remuneration Committee held four Meetings. The attendance record of each Committee Member is set out on page 22 under the section "Board Proceedings". In accordance with its Terms of Reference, the Committee performed the following work during the year:

- Approved the 2009 Remuneration Report as incorporated in the 2009 Annual Report;
- Reviewed and approved payouts under the Company's performance-based variable incentive scheme for the 2009 performance period;
- Conducted an annual review of the remuneration packages for Members of the Executive Directorate, which took effect in July 2010;
- Reviewed and approved share options awards for Members of the Executive Directorate and other eligible employees; and
- Reviewed and approved the remuneration package for Dr. Jacob Kam Chak-pui, the new Operations Director whose appointment took effect from 1 January 2011.

The Remuneration Committee also met on 25 February 2011 to approve the 2010 Remuneration Report, which is set out on pages 34 to 37 and includes a description of the remuneration policy of the Company.

Nominations Committee

The Nominations Committee consists of seven non-executive Directors, four of whom are independent non-executive Directors. Members of the Nominations Committee are Mr. Edward Ho Sing-tin (chairman), Dr. Raymond Ch'ien Kuo-fung, Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him, Mr. Ng Leung-sing, Professor Chan Ka-keung, Ceajer and the S for T&H (Ms. Eva Cheng). Mr. Ho, Ms. Fang, Mr. Shek and Mr. Ng are also independent non-executive Directors.

Duties of Nominations Committee

The Nominations Committee nominates and recommends to the Board candidates for filling vacancies on the Board, and the positions of Chief Executive Officer ("CEO"), Finance Director ("FD") and Chief Operating Officer ("COO") (provided that the COO position exists). For the positions of FD and COO, the Committee may consider candidates recommended by the CEO, or any other candidates (provided that the CEO shall have the right to first agree to such other candidates).

Work Performed by Nominations Committee

In 2010, the Nominations Committee held one Meeting. Attended by all Members of the Committee at the Meeting on 9 July 2010 and after discussion, the Committee agreed to recommend to the Board the appointment of Mr. Alasdair George Morrison, a businessman with international exposure through his holding of a number of senior executive positions in leading multinational enterprises particularly in Asia (Mr. Morrison's biography is set out on page 39), as a Member of the Board, and as a Member of the Audit Committee and the Remuneration Committee respectively, all to take effect from 9 July 2010. Mr. Morrison was invited by chairman of the Committee to meet a majority of the Members on 10 May 2010. The appointment was approved by the Board on 9 July 2010.

Attendance record of each Committee Member is shown on page 22 under the section "Board Proceedings".

Corporate Responsibility Committee

The Corporate Responsibility Committee consists of five non-executive Directors (three of whom are independent non-executive Directors) and two Members of the Executive Directorate. The Chairman of the Company is the chairman of the Committee. Current Members of the Committee are Dr. Raymond Ch'ien Kuo-fung (Chairman), S for T&H (Ms. Eva Cheng), Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him, Mr. Vincent Cheng Hoi-chuen, Mr. Leonard Bryan Turk (Legal Director & Secretary) and Mr. Thomas Ho Hang-kwong (Property Director). Ms. Fang, Mr. Shek and Mr. Cheng are independent non-executive Directors.

Corporate Governance Report

Duties of Corporate Responsibility Committee

The duties of the Committee are to recommend a corporate responsibility policy to the Board for approval, monitor and oversee the implementation of the Company's corporate responsibility policy and initiatives, identify emerging corporate responsibility issues arising from external trends, review annual Sustainability Report and recommend endorsement by the Board, and provide updates to the Board as required.

Work Performed by Corporate Responsibility Committee

In 2010, the Corporate Responsibility Committee held two Meetings. The attendance record of each Committee Member is set out on page 22 under the section "Board Proceedings". The major work performed by the Committee in 2010 included:

- Review of the implementation of the Company's community and staff engagement and communication programmes;
- Review of the sustainability development and environmental management of the Company;
- Review of corporate responsibility development of the Company; and
- Review of and recommendation for the Board's approval the draft 2009 Sustainability Report.

Internal Controls

The Board is responsible for the system of internal controls of the Company and its subsidiaries, setting appropriate policies and reviewing the effectiveness of such controls. Internal control is defined as a process effected by the Board, Management and other personnel, designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations
- effectiveness of risk management functions

Pursuant to the Protocol adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Committee, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders.

Supported by the Members of the Executive Committee, the Chief Executive Officer who chairs the Executive Committee is responsible to the Board for the conduct of the business of the Company.

A number of committees have been established to assist the Executive Committee in the day-to-day management and control of the various core businesses and functions of the Company and its subsidiaries. Key committees include:

- Operations Executive Management Committee
- Operations Business Meeting
- Property Executive Management Committee
- Project Control Group
- Railway Development Steering Group
- Consultancy Services Management Committee
- European Business Executive Committee
- China Business Executive Committee
- Information Technology Executive Management Committee
- Financial Planning Committee
- Investment Committee
- Corporate Safety Management Committee
- Enterprise Risk Committee
- Code of Conduct Steering Committee
- Tender Board
- Executive Tender Panel
- Corporate Responsibility Steering Committee

The Executive Committee is responsible for implementing the Board's policies on risk and control. In fulfilling its responsibilities, the Executive Committee identifies and evaluates the risks faced by the Company for consideration by the Board, and designs, operates and monitors a suitable system of internal controls which implements the policies adopted by the Board. The Executive Committee is accountable to the Board for monitoring the system of internal controls and providing assurance to the Board that it has done so. Additionally, all employees have responsibility for internal controls within their areas of accountability.

Various risk management strategies have been established by the Board as advised by the Executive Committee to identify, assess and reduce risks, including construction, business operations, finance, treasury, safety and enterprise risks as well as to ensure appropriate insurance coverage.

Risk Assessment and Management

The Company's Enterprise Risk Management framework is an essential and integral part of corporate governance to help in sustaining business success and creating value for stakeholders. It is a corporate-wide systematic risk management process which aims to assist the Executive Committee and individual business areas to manage the key risks and support the Board in discharging its corporate governance responsibilities.

More details of the framework and process are given in the section headed Risk Management on page 18.

Control Activities and Processes

To ensure the efficient and effective operation of business units and functions, and safety of operating railway and construction works in railway projects, Corporate General Instructions ("CGIs"), divisional/departmental procedures and manuals, committees, working groups and quality assurance units are established to achieve, monitor and enforce internal controls and evaluate their effectiveness.

CGIs and various departmental procedures and manuals are established for preventing or detecting unauthorised expenditures/payments, safeguarding the Company's assets, ensuring the accuracy and completeness of accounting records and timely preparation of reliable financial information.

All Department Heads, including Business and Project Managers for overseas projects, are responsible for ensuring the compliance with statutes and regulations applicable to their own functional units. They are required to identify any new or updated statutes, to assess their impact on the Company's operations, and to review at least once a year that relevant statutes/regulations are complied with. Potential and actual non-compliances are also reported and followed up by Department Heads and significant cases are reported to the respective Divisional Directors and the Executive Committee. Issues relating to compliance with statutes and regulations including potential and actual non-compliances, if any, and the status of rectification and actions taken to prevent recurrence are reported annually to the Executive Committee and Audit Committee.

The Internal Audit Department plays a major role, independent of the Company's management, in assessing and monitoring the internal controls of the Company. The Head of Internal Audit reports to the Chief Executive Officer and has direct access to the Audit Committee. The Department has unrestricted access to information that allows it to review all aspects of the Company's risk management, control and governance processes. On a regular basis, it conducts audits on financial, operational and compliance controls, and effectiveness of risk management functions of all business and functional units as well as subsidiaries. Management is responsible for ensuring that control deficiencies highlighted in internal audits are rectified within a reasonable period. The Department produces an annual internal audit plan derived from risk assessment for the Audit Committee's approval. On a half-yearly basis, the Head of Internal Audit reports the audit findings and opinion on the system of internal controls to the Audit Committee.

On behalf of the Board, the Audit Committee evaluates the effectiveness of the Company's system of internal controls, including the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations and effectiveness of risk management functions. This is achieved primarily through approving the annual internal audit plan and reviewing the findings of internal audit work, in addition to reviewing the annual and interim financial statements, and the nature, scope of work, and report of the external auditors, and consideration of the following:

- the changes in the nature and extent of significant risks since the previous review and the Company's ability to respond to changes in its business and external environment;
- the scope and quality of management's ongoing monitoring of risks and the system of internal controls, the work of the Internal Audit Department, and the assurance provided by the Executive Committee;
- the extent and frequency with which the results of monitoring are communicated, enabling the Audit Committee to build up a cumulative assessment of the state of control in the Company and the effectiveness with which risk is being managed;

Corporate Governance Report

- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
- the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance.

The processes for assessing internal controls by the Audit Committee have included: regular interviews with Members of the Executive Committee in relation to key business operations, internal control and compliance issues, both financial and non-financial; review of significant issues arising from internal audit reports and external audit report, private sessions with internal and external auditors, and review of annual assessment and certification of internal controls from Members of the Executive Committee and department heads within their areas of responsibility. The Audit Committee has also reviewed the papers prepared by the Executive Committee and Internal Audit Department covering: 2009 Annual Report and Accounts, Preview of 2010 Annual Accounting issues, 2010 Interim Accounts, 2011 Internal Audit Plan, Internal Audit Department's Half-yearly Reports, Annual Report on Staff Complaints, Report on the Company's Internal Control System, Reporting of Outstanding Litigation and Compliance Issues, Enterprise Risk Management Report 2009 and Evaluation of Effectiveness of Internal Audit Department. The chairman of the Committee meets on an ad hoc basis with the Head of Internal Audit, representatives of the External Auditor and Management of the Company as appropriate. He summarizes activities of the Committee and highlights issues arising therefrom by a report to the Board after each Audit Committee Meeting.

The Company is committed to recruit, train and develop a team of qualified and competent accountants in order to oversee its financial reporting and other accounting-related issues. A process to capture and update relevant laws, rules and regulations applicable to the reporting and accounting function is in place. Designated officers will ensure relevant standards and ordinances including Hong Kong Financial Reporting Standards, the Listing Rules and The Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("Companies Ordinance") under their responsibility are complied with. Resources and provisions required to deliver accounting and financial reporting function are critically reviewed

during the annual budgeting exercise. Company-wide recruitment process and staff development programmes are in place to address the competency, qualifications and experience required. Adherence to the process is confirmed on an annual basis by the designated officers to the Finance & Business Development Director who will conduct a formalized annual review and report to the Audit Committee for the review results. Confirmation of the process is also monitored by the Internal Audit Department. Based on the above, the Audit Committee considered the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate.

The Board has, through the Audit Committee, conducted the review of the effectiveness of the Company's system of internal controls for the year ended 31 December 2010, covering all material financial, operational and compliance controls, and risk management function, and concluded that adequate and effective internal controls are maintained to safeguard the shareholders' investment and the Company's assets. There were no significant control failings, weaknesses or significant areas of concern identified during the year which might affect shareholders.

Crisis Management Committee

To uphold the reputation of being one of the best companies in Hong Kong and in order to help ensure that the Company will respond to and recover from crises in an organised and effective manner, including timely communications with principal stakeholders such as shareholders, the Company established a Crisis Management Committee in 1995. The Committee comprises relevant Members of the Executive Directorate and Executive Managers, and its operation is governed by a Crisis Management Manual which, among other things, sets out the duties of respective members. The Manual is kept up-to-date through regular reviews. The Crisis Management Committee conducts regular exercises to validate the crisis management organisation and arrangements and to provide practices for members. The latest exercise was conducted in December 2010.

Continuous Disclosure Obligations regarding Price Sensitive Information

The Company has developed a system with established policies, processes and procedures across all relevant Division(s) and Department(s) for complying with the disclosure obligations regarding price sensitive information. Further, a task force

comprising all relevant heads of department reviewed the system in detail and thoroughly went through the checklist sent by The Stock Exchange of Hong Kong Limited ("Stock Exchange") to all issuers in late 2008. The recommendation that the Company has an effective system in dealing with the disclosure obligations was reported to the Executive Committee, and then to the Board of Directors in December 2008. The system continues to be effective throughout 2010. Efforts to further enhance the system in the light of the business operation and development of the Company will continue.

Governance of Subsidiaries and Affiliate Companies

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

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

The Executive Committee will review the Governance Structure and compliance by the subsidiaries and affiliate companies with it on an annual basis.

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 ('Model Code'). After having made specific enquiry, the Company confirms that Members of the Board and the Executive Directorate complied throughout the year with

the Model Code. Senior managers, other nominated managers and staff who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code. In addition, every employee is bound by the Code of Conduct issued by the Company, amongst other things, to keep unpublished price sensitive information in strict confidence.

Business Ethics

The Company is committed to upholding a high standard of integrity and business ethics. The Company's Code of Conduct, Corporate Guidebook for All Staff and Corporate Guidebook for Managers ("Guidebooks") are important tools to help employees understand and follow requirements on ethical practices. The Code of Conduct and the Guidebooks are reviewed and updated every two years to ensure they are appropriate and in compliance with legislation. The Company also requires all employees to acknowledge their understanding of and agreement to comply with the Code of Conduct and the Guidebooks every two years. All employees are encouraged to report existing or potential violations and malpractices. Staff who have genuine suspicions about wrongdoings are also provided with proper procedures and a safe environment to speak up pursuant to the Speaking Up policy in place. New recruits are briefed on the Code of Conduct and the Guidebooks, and such briefings form an integral part of the staff induction and orientation programmes. The Code of Conduct is available on the Company's website: www.mtr.com.hk.

A similar biennial certification programme is enforced in the Company's subsidiaries in the Mainland of China and overseas with a view to upholding the ethical culture in these subsidiaries. For other joint venture companies, guidelines on business ethics have been published for staff's observation and compliance.

External Auditor

The Company engages KPMG as its External Auditor. In order to maintain KPMG's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, the Audit Committee, under its Terms of Reference, pre-approves all audit services to be provided by KPMG and discusses with KPMG the nature and scope of their audit and reporting obligations before the audit commences.

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The Audit Committee also reviews and pre-approves the engagement of KPMG to provide any non-audit services for complying with relevant legal requirements and seeks to balance the maintenance of objectivity with value for money.

The nature of audit and non-audit services provided by KPMG and fees paid to KPMG (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) are set out below:

In HK\$ million	2010	2009
Auditor's remuneration		
– audit services	10	8
– tax services	1	1
– other audit related services	3	2
	14	11

On the part of KPMG, for maintaining integrity and objectivity, KPMG implements policies and procedures to comply with professional ethics and independence policies and requirements applicable to the work KPMG performs. In addition, KPMG requires its audit partner serving the Group to rotate off the audit engagement with the Company at least once every seven years.

Communication with Shareholders

Annual General Meeting (“AGM”)

The Company's AGM is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. The Chairman of the Company, the chairmen of the Board Committees, all Members of the Executive Committee and the Auditors of the Company were present at the 2010 AGM to answer shareholders' questions. The AGM for 2010 was held on 27 May at Rotunda 3 (6/F), Hongkong International Trade & Exhibition Centre (renamed as Kowloonbay International Trade & Exhibition Centre), Kowloon Bay, Hong Kong. The 2011 AGM has been scheduled for 6 May, approximately three weeks earlier than 2010. This is the second consecutive year of bringing forward the date of AGM in order to facilitate a direct dialogue between shareholders and Directors/ Management on annual results and other performance of the Company of the preceding year.

Chairman's Statement

The Chairman started the formal business of the AGM by reporting an overall good year for MTR, despite the challenging economic conditions and the threat posed by human swine influenza in 2009.

The Chairman then gave an overview of the Company's business performance including the ridership, train service performance, station commercial and rail related businesses, property development, property rental and management, Ngong Ping Cable Car and associated theme village and Octopus Cards. Early months of operations of rail franchises in Stockholm and Melbourne as well as Beijing Metro Line 4 were reported.

On business development, the Chairman reported the good progress of the five new railway projects in Hong Kong including the construction of the West Island Line (since 2009) and Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (from 2010), and the status of detailed design for the South Island Line (East), the Kwun Tong Line Extension and Shatin to Central Link respectively.

The Chairman then gave a brief account of the growth strategy in the Mainland of China and overseas which was gaining momentum step by step. In addition to the rail franchises in Stockholm, Melbourne, London Overground and Beijing Metro Line 4, he covered the signing of a Concession Agreement for the operation and maintenance of the Daxing Line as an extension of Beijing Metro Line 4, the expected take over of the operation of the Shenzhen Metro Line 4 Phase 1 in 2010 and full operations (i.e. with Phase 2 together) sometime in 2011, and the signing of a Concession Agreement for Hangzhou Metro Line 1.

The important roles of corporate governance, sustainability, corporate responsibility and community involvement, in the continued success of the Company, were recognised by the Chairman.

Looking ahead, the Chairman said it was expected that patronage in Hong Kong would be benefited from improvements in the economy and the full year impact of the Kowloon Southern Link and the LOHAS Park Station. Apart from being the first full year for operating the Stockholm and Melbourne railway franchises, he said 2010 was also the first time in 13 years that MTR fares would be adjusted according to the Fare Adjustment Mechanism. Regarding other recurrent businesses, advertising, station retail and property rental businesses were market driven. For property development, the Chairman expected to make profit booking of Le Prestige and

the small retail shopping mall in Area 56 of Tseung Kwan O, in 2010. As announced, he said Austin Sites C and D were awarded to a consortium about two months before the AGM.

Before closing, the Chairman thanked Mr. Russell Black who retired in January 2010 as the Projects Director. He also welcomed Mr. Vincent Cheng joining the Board as an independent non-executive director (since July 2009) and Mr. T C Chew who succeeded Mr. Black as the Projects Director with effect from January 2010.

Resolutions passed at the 2010 AGM

After the Chairman's Statement, separate resolutions were proposed for each substantially separate issue at that AGM. Before the resolutions were considered, the Chairman exercised his right as the Chairman of the Meeting under Article 67 of the Articles of Association to call a poll on all resolutions. Being the first listed company in Hong Kong to conduct electronic poll voting since 2007, the Company conducted electronic poll voting at the AGM.

A total of nine resolutions were passed at the 2010 AGM (with resolution no. 3 comprising three separate resolutions), each by over 97% of the votes cast at the Meeting. The full text of the resolutions is set out in the AGM Circular (which comprised Notice of the AGM) to shareholders dated 24 April 2010. For the benefit of those shareholders who did not attend the 2010 AGM, below is a succinct summary of the resolutions passed:

- (1) Adoption of the audited Statement of Accounts and the Reports of the Directors and the Auditors of the Company for the year ended 31 December 2009;
- (2) Declaration of a final dividend of HK\$0.38 per share for the year ended 31 December 2009;
- (3) (a) Election of Mr. Vincent Cheng Hoi-chuen as a Member of the Board of Directors of the Company;
(b) Re-election of Mr. Chow Chung-kong as a Member of the Board of Directors of the Company; and
(c) Re-election of Ms. Christine Fang Meng-sang as a Member of the Board of Directors of the Company.
- (4) Re-appointment of KPMG as Auditors of the Company and authorisation of the Board of Directors to determine their remuneration;
- (5) Grant of a general mandate to the Board of Directors to allot, issue, grant, distribute and otherwise deal with additional shares in the Company, not exceeding ten per cent. of the Company's issued share capital as at the date of this resolution*;

- (6) Grant of a general mandate to the Board of Directors to purchase shares in the Company, not exceeding ten per cent. of the Company's issued share capital as at the date of this resolution*; and
- (7) Conditional on the passing of resolutions 5 and 6, authorisation of the Board of Directors to exercise powers to allot, issue, grant, distribute and otherwise deal with additional shares in the Company under resolution 5 in respect of the aggregate nominal amount of share capital in the Company purchased by the Company*.

* (The full text of the resolution is set out in the Notice of the AGM.)

The poll results were posted on the websites of both the Company and the Stock Exchange on the same day after the AGM. The webcast of the AGM was also posted on the Company's website in the same evening after the AGM.

Extraordinary General Meeting ("EGM")

The Company may also communicate with its shareholders through EGMs if and when appropriate.

If shareholders want to convene an EGM of the Company, those shareholders may requisition the Directors of the Company to do so, provided that at the date of requisition they hold, in aggregate, not less than one-twentieth of the paid-up capital of the Company. The shareholders' requisition must state the objects of the meeting requested and must be deposited at the registered office of the Company. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If, within 21 days from the date of the deposit of the requisition, the Directors of the Company do not proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the relevant shareholders, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that any EGM so convened is held within three months from the date of the original requisition.

Procedures for Shareholders Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to the Companies Ordinance and the Company's Articles of Association.

Remuneration Report

Introduction

The Remuneration Committee has been delegated the authority to consider and recommend to the Board the Company's remuneration policy and the remuneration packages of the non-executive Directors, as well as to review and determine the remuneration packages for the Chief Executive Officer and other Members of the Executive Directorate.

Throughout the year, the Committee meets regularly to discuss and approve remuneration issues pertaining to the Company's variable incentive scheme, share option scheme, and also the remuneration packages of the non-executive Directors, Chief Executive Officer and other Members of the Executive Directorate in the light of the Company's remuneration policy. In determining the remuneration of the Chief Executive Officer, the Committee consults with the Chairman and in the case of other Members of the Executive Directorate, the Committee consults with both the Chairman and the Chief Executive Officer in respect of their recommendations.

Currently, the Committee has five non-executive Directors, four of whom are independent non-executive Directors. As necessary and with the agreement of the Chairman, the Remuneration Committee is authorised to obtain outside independent professional advice to support the Committee on relevant issues. No individual Director or any of his associates is involved in deciding his own remuneration.

A summary of the work performed by the Remuneration Committee during 2010 is set out in the "Corporate Governance Report" on page 27.

This Remuneration Report has been reviewed and authorised by the Remuneration Committee of the Company.

Remuneration policy

It is the Company's policy to ensure that remuneration is appropriate and aligns with the Company's goals, objectives and performance. To achieve this, the Company has taken into consideration a number of relevant factors such as salaries paid by comparable companies, job responsibilities, duties and scope, employment conditions elsewhere in the Company and its subsidiaries, market practices, financial and non-financial performance, and desirability of performance-based remuneration.

The Company is committed to effective corporate governance and employing and motivating top quality personnel. The Company also recognises the importance of a formal and transparent remuneration policy covering its Board and Executive Directorate.

Remuneration for Non-Executive Directors

The Remuneration Committee makes recommendations to the Board from time to time on the remuneration of the Members of the Board who are non-executive Directors. The remuneration of non-executive Directors is in the form of annual director's fees.

To ensure that non-executive Directors are appropriately remunerated for their time and responsibilities devoted to the Company, the Committee undertakes periodic reviews and considers the following factors as they put forward recommendations to the Board:

- Fees paid by comparable companies;
- Time commitment;
- Responsibilities of the non-executive Directors; and
- Employment conditions elsewhere in the Company.

Details of remuneration for non-executive Directors are set out in note 3 to the summary financial statements.

Remuneration for Employees

The Company's remuneration structure for its employees, including the Chief Executive Officer and other Members of the Executive Directorate, comprises

- Fixed compensation – base salary, allowances and benefits-in-kind (e.g. medical);
- Variable incentives – discretionary award; performance-based payment and other business-specific cash incentive plans;
- Long-term incentives – e.g. share options;
- Retirement schemes.

The specifics of these components are described below.

Fixed Compensation

Base salary and allowances are set and reviewed annually. The annual review process takes into consideration the Company's remuneration policy, competitive market positioning, market practice, as well as the Company's and individuals' performance. Benefits-in-kind are reviewed regularly taking into consideration market practices.

Variable Incentives

The Chief Executive Officer, other Members of the Executive Directorate and selected management of the Company are eligible to receive an annual cash incentive under the Company's Variable Incentive Scheme, the rules of which are regularly reviewed by the Remuneration Committee.

Under the current scheme rules, the payouts are based on the performance of the Company and individual performance. The Company's performance is measured by both financial and non-financial factors including:

- Return on fixed assets;
- Rolling three-year operating profit;
- Fulfillment of the Customer Service Pledges; and
- Fulfillment of Performance Requirements in relation to "Train Service Delivery", "Passenger Journeys on Time" and "Train Punctuality" as defined in Schedule 2, Part 1 of the Operating Agreement.

If the Company does not achieve one or more of the Performance Requirements or the Customer Service Pledges, the payouts under the scheme are automatically reduced.

Following the end of each year, the Company engages an independent expert to conduct review and audit of its performance versus the Performance Requirements and Customer Services Pledges. The results of this audit are shared with the Remuneration Committee to determine if adjustments to the payouts under the scheme are appropriate.

Individual performance ratings are part of the thorough annual performance assessment process that is applied throughout the Company. The performance ratings and assessments reflect the full range of factors over which the individual has accountability, including operational, other non-financial and financial factors. Individual performance ratings for the Members of the Executive Directorate are determined by the Chief Executive Officer, and the performance for the Chief Executive Officer is assessed by the Chairman.

A portion of the target incentive levels under the scheme was originally funded by participants by foregoing their 13th month pay and portions of their fixed allowances. If performance exceeds pre-defined threshold standards, then payouts under the scheme are made annually. Target incentive levels for the Chief Executive Officer and other Members of the Executive Directorate represent approximately 15-30% of total remuneration.

In addition, the Company operates other business-related incentive schemes to motivate the staff concerned to reach specific business targets of the Company.

Discretionary Awards

In 2010, special discretionary awards were provided to staff with competent or above performance as a recognition of their contribution to the Company's good performance and achievements in the past year and to motivate staff to strive for continuous business growth.

Long-Term Incentives

During 2010, the Company maintained three share option schemes, namely the Pre-Global Offering Share Option Scheme (the "Pre-IPO Scheme"), the New Joiners Share Option Scheme (the "New Option Scheme") and the 2007 Share Option Scheme (the "2007 Scheme").

No further options are outstanding and exercisable under the Pre-IPO Scheme following its expiration on 11 September 2010. While options remain outstanding under the New Option Scheme, no new grants were made under this Scheme since the adoption of the 2007 Scheme.

The 2007 Scheme was approved and adopted by shareholders at the Company's Annual General Meeting on 7 June 2007. The 2007 Scheme is intended to provide employees of the Company and its subsidiaries the opportunity to participate in the growth and success of the Company. Awards under this Scheme were granted to the Chief Executive Officer, other Members of the Executive Directorate and selected employees of the Company in 2010. The Scheme continues to include a provision which specifies that options cannot be exercised under the Scheme unless the Company has satisfied each of the three Key Performance Requirements included in the Operating Agreement in order for any options to be exercised.

Options exercised and outstanding in respect of each Member of the Executive Directorate as at 31 December 2010 under the three Schemes 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 three Schemes and options granted to Members of the Executive Directorate and selected employees of the Company under the Schemes are set out in note 3 to the summary financial statements and note 52 to the accounts of Annual Report 2010.

Remuneration Report

The Chief Executive Officer does not participate in the Pre-IPO and New Option Schemes. He is entitled to receive an equivalent value in cash of 222,161 Shares on completion of his current contract on 31 December 2011.

Retirement Schemes

In Hong Kong, the Company operates five retirement schemes, the MTR Corporation Limited Retirement Scheme (the "MTR Retirement Scheme"), the MTR Corporation Limited Retention Bonus Scheme (the "MTR RBS"), the MTR Corporation Limited Provident Fund Scheme (the "MTR Provident Fund Scheme") and two Mandatory Provident Fund Schemes (the "MTR MPF Scheme" and the "KCRC MPF Scheme") with details as follows:

(a) MTR Retirement Scheme

The MTR Retirement Scheme is a registered scheme under the Occupational Retirement Schemes Ordinance (Cap. 426) and has been granted an MPF Exemption by the Mandatory Provident Fund Schemes Authority so that it can be offered to employees as an alternative to the MTR MPF Scheme.

The MTR Retirement Scheme originally contained both a hybrid benefit section and a defined contribution section. The hybrid benefit section of the MTR Retirement Scheme has been closed to new employees since 31 March 1999. All employees who joined the Company between 1 April 1999 and 29 February 2008 and who would have been eligible to join the MTR Retirement Scheme could choose to join either the defined contribution section or, from 1 December 2000, the MTR MPF Scheme.

Following the Rail Merger with Kowloon-Canton Railway Corporation ("KCRC") and with the approval of the scheme's trustees, the defined contribution section of the MTR Retirement Scheme was transferred to the MTR Provident Fund Scheme effective from 1 March 2008. After the transfer, the MTR Retirement Scheme only contains the hybrid benefit section which provides benefits based on the greater of a multiple of final salary times service or the accumulated contributions with investment returns. Members' contributions to the MTR Retirement Scheme are based on fixed percentages of base salary. The Company's contributions are determined by reference to an annual actuarial valuation carried out by an independent actuarial consulting firm.

(b) MTR RBS

The MTR RBS is a registered scheme under the Occupational Retirement Schemes Ordinance. It is a top-up scheme to supplement the MTR Retirement Scheme for employees who are classified by the Company as staff working on designated projects and who are not on gratuity terms. It provides benefits only in the event of redundancy for service accrued up to 31 December 2002, offset by any benefits payable from the MTR Retirement Scheme (including any benefits transferred to the MTR Provident Fund Scheme from the defined contribution section of the MTR Retirement Scheme). Members are not required to contribute while the Company's contributions are determined by reference to an annual actuarial valuation carried out by an independent actuarial consulting firm.

(c) MTR Provident Fund Scheme

The MTR Provident Fund Scheme, in order to reflect its integrated nature, was renamed from the KCRC Retirement Benefit Scheme following its incorporation of the defined contribution section of the MTR Retirement Scheme on 1 March 2008. It contains three sections, all of which are defined contribution schemes. One section consists of the members of the KCRC Retirement Benefit Scheme prior to 1 March 2008, the second section consists of the members transferred from the defined contribution section of the MTR Retirement Scheme prior to 1 March 2008, and the final section consists of those appointees eligible to join the MTR Provident Fund Scheme on or after 1 March 2008.

The MTR Provident Fund Scheme is a registered scheme under the Occupational Retirement Schemes Ordinance and has been granted an MPF Exemption by the Mandatory Provident Fund Schemes Authority so that it can be offered to employees as an alternative to the MPF Scheme. On or after 1 March 2008, employees who are eligible to join the MTR Provident Fund Scheme can choose between the MTR Provident Fund Scheme and the MTR MPF Scheme, except where they were previously members of the KCRC MPF Scheme, whereupon they can choose between the MTR Provident Fund Scheme and the KCRC MPF Scheme. All benefits payable under the MTR Provident Fund Scheme are calculated by reference to the Company's contributions and members' own contributions, together with investment returns on these contributions. Both members' and the Company's contributions are based on fixed percentages of members' base salary.

(d) MTR MPF Scheme

The MTR MPF Scheme, which has been registered with the Mandatory Provident Fund Schemes Authority, covers those employees who did not opt for or who are not eligible to join the MTR Retirement Scheme or the MTR Provident Fund Scheme. Both members and the Company each contribute to the MTR MPF Scheme at the mandatory levels as required by the Mandatory Provident Fund Schemes Ordinance ("the MPF Ordinance"). The Company makes additional contributions above the mandatory level for eligible members who joined the MTR MPF Scheme before 1 April 2008, subject to individual terms of employment.

(e) KCRC MPF Scheme

The KCRC MPF Scheme, which has been registered with the Mandatory Provident Fund Schemes Authority, covers those former KCRC employees who did not opt for or who were not eligible to join the former KCRC Retirement Benefit Scheme, now known as MTR Provident Fund Scheme, and those employees who, on or after 1 March 2008, were previously members of the KCRC MPF scheme and are eligible to join the MTR Provident Fund Scheme but opt to re-join the KCRC MPF Scheme. Both members and the Company each contribute to the KCRC MPF Scheme at the mandatory levels as required by the MPF Ordinance.

The executive Directors who were hired by the Company before 1 April 1999 are eligible to join the hybrid benefit section of the MTR Retirement Scheme.

Other executive Directors are eligible to join either the MTR Provident Fund Scheme or the MTR MPF Scheme.

The Chief Executive Officer participates in the MTR MPF Scheme. Both the Company and the Chief Executive Officer each contribute to the MTR MPF Scheme at the mandatory levels as required by the MPF Ordinance.

For subsidiary companies in Hong Kong, Mainland of China, United Kingdom, Sweden and Australia, the Group operates retirement schemes established in accordance with, in the case of subsidiaries in Hong Kong, the MPF Ordinance and, in the case of subsidiaries in Mainland of China and overseas, their respective local regulations.

Remuneration of Non-Executive and Executive Directors

(i) The total remuneration of the Members of the Board and the Executive Directorate (excluding share-based payments) is shown below and the remuneration details are set out in note 3 to the summary financial statements.

in HK\$ million	2010	2009
Fees	4.2	4.0
Base salaries, allowances and other benefits-in-kind	34.6	33.4
Variable remuneration related to performance	18.3	18.8
Retirement scheme contributions	1.6	5.4
	58.7	61.6

(ii) The gross remuneration of non-executive and executive Directors (excluding share-based payments) were within the following bands:

Remuneration	2010 Number	2009 Number
HK\$0 – HK\$500,000	10	11
HK\$500,001 – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$5,000,001 – HK\$5,500,000	1	–
HK\$6,000,001 – HK\$6,500,000	1	–
HK\$6,500,001 – HK\$7,000,000	3	–
HK\$7,000,001 – HK\$7,500,000	–	6
HK\$7,500,001 – HK\$8,000,000	1	–
HK\$13,500,001 – HK\$14,000,000	1	1
	19	19

The information shown in the above table includes the five highest paid employees. The independent non-executive Directors' emoluments are included in the first remuneration band except the non-executive Chairman, whose emolument is included in the third remuneration band.

Edward Ho Sing-tin, *Chairman, Remuneration Committee*
MTR Corporation Limited
Hong Kong, 25 Feb 2011

Board and Executive Directorate

Members of the Board

Dr. Raymond Ch'ien Kuo-fung 59, was appointed Non-Executive Chairman in July 2003. He has been a member of the Board since 1998. Dr. Ch'ien is chairman of CDC Corporation, as well as chairman and a director respectively of its subsidiaries, China.com Inc. and CDC Software Corporation. He is also chairman and an independent non-executive director of Hang Seng Bank Limited. Dr. Ch'ien is an independent non-executive director of each of Convenience Retail Asia Limited, The Wharf (Holdings) Limited, Swiss Reinsurance Company Limited, and China Resources Power Holdings Company Limited (from 22 April 2010). He also serves on the boards of The Hongkong and Shanghai Banking Corporation Limited and Hong Kong Mercantile Exchange Limited. Dr. Ch'ien is chairman of the Hong Kong/European Union Business Cooperation Committee and a member of the Standing Committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. In addition, Dr. Ch'ien is the honorary president and past chairman of the Federation of Hong Kong Industries. He was a member of the Executive Council of Hong Kong, then under British Administration, from 1992 to 1997, and a member of the Executive Council of the Hong Kong SAR from 1 July 1997 to June 2002. Dr. Ch'ien was appointed a Justice of the Peace in 1993. He was made a Commander in the Most Excellent Order of the British Empire in 1994 and awarded the Gold Bauhinia Star medal in 1999. In 2008, he was conferred the honour of Chevalier de l'Ordre du Merite Agricole of France. Dr. Ch'ien received a doctoral degree in economics from the University of Pennsylvania in 1978 and became a Trustee of the University in 2006. He was non-executive chairman of HSBC Private Equity (Asia) Limited (until 29 November 2010), a non-executive director of Inchcape plc., a Hong Kong member of APEC Business Advisory Council and chairman of the Advisory Committee on Corruption of the Independent Commission Against Corruption.

Chow Chung-kong 60, was appointed Chief Executive Officer on 1 December 2003. He was formerly chief executive officer of Brambles Industries Ltd, a global support services company. From 1997 to 2001, Mr. Chow was chief executive of GKN PLC, a leading engineering company based in the United Kingdom. Mr. Chow is a chartered engineer. He holds Bachelor of Science and Master of Science degrees in Chemical Engineering from The University of Wisconsin and The University of California respectively. He also holds a Master of Business Administration degree from The Chinese University of Hong Kong and attended the Advanced Management Program of Harvard Business School. He was awarded an Honorary Doctor of Engineering degree by The University of Bath. In 2000, Mr. Chow was knighted in the United Kingdom for his contribution to industry. Mr. Chow is an independent non-executive director of Anglo American plc, and

AIA Group Limited (from 28 September 2010). He was the non-executive chairman of Standard Chartered Bank (Hong Kong) Limited until 31 December 2010. In public service, Mr. Chow is a member of the Commission on Strategic Development, the Standing Committee on Directorate Salaries and Conditions of Service, the Standing Committee on Judicial Salaries and Conditions of Service (from 1 January 2010), as well as the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR Government. Mr. Chow is a member of the Council of The Chinese University of Hong Kong and the Deputy Chairman of The Hong Kong General Chamber of Commerce (from 31 May 2010). He is also a board member of The Community Chest of Hong Kong and a member of the Standing Committee of the Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference.

Vincent Cheng Hoi-chuen 62, joined the Board as an independent non-executive Director on 10 July 2009. Mr. Cheng is chairman of HSBC Bank (China) Company Limited, and HSBC Bank (Taiwan) Limited (from 21 January 2010). He is also an executive director of HSBC Holdings plc. Mr. Cheng was chairman of The Hongkong and Shanghai Banking Corporation Limited and a non-executive director of HSBC Bank (Vietnam) Limited. He is also an independent non-executive director of Great Eagle Holdings Limited, and a non-executive director of Swire Properties Limited (from 14 April 2010). In public service, Mr. Cheng is vice chairman of the China Banking Association and chairman of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR Government. He was a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority (until 31 January 2010). In 2008, Mr. Cheng was appointed a member of the National Committee of the 11th Chinese People's Political Consultative Conference (the 'CPPCC') and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. He was also a member of the Executive Council from 1995 to 1997, Hong Kong Affairs Adviser to the People's Republic of China from 1994 to 1997 as well as a member of the Legislative Council from 1991 to 1995. In 2005, Mr. Cheng was conferred the degree of Doctor of Social Science, *honoris causa*, by The Chinese University of Hong Kong and the degree of Doctor of Business Administration, *honoris causa*, by The Open University. He was also awarded the Gold Bauhinia Star medal in 2005. Mr. Cheng holds a Bachelor of Social Science degree in Economics from The Chinese University of Hong Kong and a Master of Philosophy degree in Economics from The University of Auckland.

Christine Fang Meng-sang 52, is an independent non-executive Director and has been a member of the Board since 2004. Ms. Fang has been the chief executive of the Hong Kong Council of Social Service since 2001. Prior to joining the Hong Kong Council of Social Service, she worked for the Hong Kong Red Cross from 1989 to 2001 and held the position of Secretary General from 1993 to 2001. By training, Ms. Fang is a social worker and has a strong background in community service. She sits on various government advisory committees, including the Sustainable Development Council, the Digital 21 Strategy Advisory Committee, the Charities Sub-committee of The Law Reform Commission of Hong Kong, the Independent Police Complaints Council, and the Steering Committee on the Community Care Fund (from 11 November 2010). She is also a member of the Commission on Strategic Development.

Edward Ho Sing-tin 72, is an independent non-executive Director and has been a member of the Board since 1991. He is an architect and the Group Chairman of Wong Tung Group of companies. Mr. Ho was an elected member of the Legislative Council of Hong Kong from 1991 to 2000, representing the architectural, surveying and planning functional constituency. He was president of the Hong Kong Institute of Architects in 1983 and 1984 and was chairman of the Hong Kong Industrial Estates Corporation from 1992 to 2001. He was also a member of the Hong Kong Housing Authority, chairman of the Antiquities Advisory Board, chairman of the Hong Kong Philharmonic Society, and a member of the Town Planning Board and the Hospital Authority respectively.

Allister George Morrison (also known as Alasdair George Morrison) 62, joined the Board as an independent non-executive Director on 9 July 2010. Mr. Morrison is currently Senior Advisor of Citigroup Asia Pacific, and an independent non-executive director of Pacific Basin Shipping Limited and Hong Kong Mercantile Exchange Limited. He is also a member of the Board of Grosvenor Group Limited in the United Kingdom, a member of the Hong Kong/European Union Business Cooperation Committee, a member of the Operations Review Committee of the Independent Commission Against Corruption and a Director of the Hong Kong Forum. He was non-executive chairman of North Asia Investment Corporation (until 15 August 2010), vice chairman of Harvard Business School Association of Hong Kong (until 26 August 2010) and a member of the Bloomberg Asia Pacific Advisory Board (until 26 October 2010). From 1971 to 2000, Mr. Morrison worked for the Jardine Matheson Group, where he was Group Managing Director from 1994 to 2000. Subsequently, and until April 2007, Mr. Morrison was a Managing Director of Morgan Stanley Dean Witter Asia Limited and then also a member of Morgan Stanley's Management Committee. From 2000 to 2007, he was Chairman of Morgan Stanley Asia, based in Hong Kong. From 2002 to February 2006, he was concurrently Chairman and Chief Executive Officer of Morgan Stanley Asia. Mr. Morrison is a graduate of Eton College and obtained a Bachelor of Arts (subsequently Master of Arts) from Cambridge University in 1971. He also attended the Program for Management Development at Harvard Business School in 1983.

Ng Leung-sing 61, joined the Board as an independent non-executive Director on 18 December 2007. Mr. Ng is vice chairman of Chiyu Banking Corporation, chairman of Bank of China (Hong Kong) Trustees Limited and an independent non-executive director of SmarTone Telecommunications Holdings Limited. He is a director of the BOCHK Charitable Foundation and a member of the Court of Lingnan University. He was general manager, Bank-wide Operation Department of Bank of China (Hong Kong) Limited. Mr. Ng is also a Hong Kong Deputy to the 10th and 11th National People's Congress, People's Republic of China. Mr. Ng is a graduate of University of East Asia, Graduate College, Macau and holds a diploma in Chinese Law.

Abraham Shek Lai-him 65, joined the Board as an independent non-executive Director on 18 December 2007. Mr. Shek is an independent non-executive director and an audit committee member of each of Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, NWS Holdings Limited, Regal Portfolio Management Limited, Titan Petrochemicals Group Limited, Eagle Asset Management (CP) Limited, ITC Corporation Limited, Country Garden Holdings Company Limited, SJM Holdings Limited, Kosmopolito Hotels International Limited (from 10 September 2010) and China Resources Cement Holdings Limited (from 1 January 2011). He is also an independent non-executive director of Hsin Chong Construction Group Ltd. and Hop Hing Group Holdings Limited. Mr. Shek is chairman an independent non-executive director of Chuang's China Investments Limited. He is also vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited (from 30 September 2010). Mr. Shek was appointed as Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star in 2007. He is vice chairman of the Independent Police Complaints Council. Mr. Shek is a graduate of the University of Sydney and holds a Bachelor of Arts degree and a Diploma in Education.

T. Brian Stevenson 66, is an independent non-executive Director and has been a member of the Board since October 2002. He is a non-executive director of The Hongkong and Shanghai Banking Corporation Limited, an Advisor to BT Asia Pacific and Chairman of the Hong Kong Jockey Club (from 31 August 2010). He was a member of the Public Service Commission (up to 31 January 2010). Mr. Stevenson was previously the Senior Partner of Ernst & Young, Hong Kong from 1981 to 1999. He served on the Council of the Hong Kong Society of Accountants from 1991 to 1997 and was president of the Society in 1996. Mr. Stevenson is a chartered accountant and holds law degrees from Glasgow and Hong Kong Universities. He was awarded the Silver Bauhinia Star medal in 1998. He is also a Justice of the Peace.

Board and Executive Directorate

Commissioner for Transport (Joseph Lai Yee-tak 50, joined the Board as a non-executive Director appointed as an “additional director” under section 8 of the MTR Ordinance by virtue of his appointment to the post of the Commissioner for Transport of the Government of the Hong Kong SAR on 17 August 2009. Since 1983, Mr. Lai has served in various bureaux and departments of the Government of the Hong Kong SAR. Before joining the Transport Department, he was Director-General of Trade and Industry. As Commissioner for Transport, Mr. Lai is also a director of several transport-related companies including The Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, New World First Bus Services Limited, New Lantao Bus Company (1973) Limited, Citybus Limited, The Star Ferry Company Limited, The New Hong Kong Tunnel Company Limited, Western Harbour Tunnel Company Limited, Tate’s Cairn Tunnel Company Limited and Route 3 (CPS) Company Limited. He is a graduate of the University of Hong Kong and holds a Bachelor’s Degree in Social Sciences.)

Secretary for Transport and Housing (Eva Cheng 50, joined the Board as a non-executive Director appointed as an “additional director” under section 8 of the MTR Ordinance on 1 July 2007 upon her appointment as the Secretary for Transport and Housing of the Government of the Hong Kong SAR. Ms. Cheng has served in various bureaux and departments of the Government of the HKSAR since 1983. Before joining the Transport and Housing Bureau, Ms. Cheng was the Permanent Secretary for Economic Development. She is a graduate of the University of Hong Kong and holds a Bachelor of Social Sciences degree.)

Professor Chan Ka-keung, Ceajer 54, joined the Board as a non-executive Director on 10 July 2007 after his appointment as the Secretary for Financial Services and the Treasury of the Government of the Hong Kong SAR with effect from 1 July 2007. He received his Bachelor’s degree in economics from Wesleyan University in the US and both his M.B.A. and Ph.D. in finance from the University of Chicago. Professor Chan sits on the boards of several public bodies including the Mandatory Provident Fund Schemes Authority and The Hong Kong Mortgage Corporation Limited and is the Chairman of the Kowloon-Canton Railway Corporation in his official capacity. Before joining the Government, Professor Chan was Dean of Business and Management of the Hong Kong University of Science and Technology from 1 July 2002. He was an independent non-executive Director of Shui On Construction and Materials Limited.

Members of the Executive Directorate

Chow Chung-kong Biographical details are set out on page 38.

William Chan Fu-keung 62, has been the Human Resources Director since August 1998. He joined the Company as Human Resources Manager in 1989. He oversees human resource management, people development, organisation development, operations and management training, administration and security management. Prior to joining the Company, Mr. Chan held senior management positions in both the commercial and utility sectors in Hong Kong, including the Government, the Hong Kong Productivity Council, Hutchison Whampoa Limited and Hong Kong Telecommunications Limited. He is a fellow member of the Hong Kong Institute of Human Resource Management since 1985 and is also a council member of the Institute. He is a council member of Employers’ Federation of Hong Kong, a member of the Standing Committee on Disciplined Services Salaries and Conditions of Service, the Pensions Appeal Panel and the School of Business Advisory Committee of Hong Kong Baptist University. Mr. Chan received a Bachelor of Social Science degree from The University of Hong Kong in 1971, majoring in economics.

Chew Tai Chong 59, has been the Projects Director of the Company since 1 February 2010. He joined the Company in May 2009 as Deputy Projects Director – New Projects. Mr. Chew has worked in the rail transit industry, in the United Kingdom, Singapore and overseas, for over 30 years. Between 2003 and 2008, he was the President of Bombardier London Underground Projects Division. Up to 2003, he held the position of Senior Director, Projects and Engineering, for Land Transit Authority of Singapore. Mr. Chew is a member of the Hong Kong Construction Industry Council. He holds a Bachelor of Science degree and a Master of Science degree in Electrical Engineering from University of Manchester. Mr. Chew is a chartered engineer and a fellow of a number of professional institutions in the United Kingdom and Hong Kong Institution of Engineers as well as Hong Kong Academy of Engineering Sciences. Mr. Chew is also a director in some of the members of the Company’s group.

Thomas Ho Hang-kwong 59, has served as the Property Director since joining the Company in 1991. Mr. Ho is responsible for the development and management of all properties above and adjacent to MTR stations and depots. He leads a multi-disciplinary team of managers involved in the planning, design, construction and management of large-scale property developments. Between 1971 and 1990, Mr. Ho worked for the Hong Kong Government specialising in land administration and latterly held a directorate post in the Lands Department, responsible for formulating policies and procedures to make land available for the airport and the Airport Railway project. Mr. Ho qualified in 1974 as a chartered surveyor in Hong Kong. He is serving The Community Chest of Hong Kong as a Campaign Committee Member and Corporate and Employee Contribution Programme Organising Committee Co-chairman. Mr. Ho is

Honorary Professor of the Department of Real Estate and Construction of The University of Hong Kong. In November 2010, he was awarded the first "Outstanding BRE Alumni Award" by The Hong Kong Polytechnic University. Mr. Ho is also a director in some of the members of the Company's group.

Andrew McCusker 65, was the Operations Director of the Company from 2005 to December 2010. He retired from the Company on 1 January 2011 after cumulatively 22 years of service.

Dr. Jacob Kam Chak-pui 49, has been the Operations Director and a Member of the Executive Directorate since 1 January 2011. He was appointed as Deputy Operations Director on 1 July 2010. Dr. Kam joined the Company in 1995. During his 15 years of service, he gained both technical and business experience through taking up different managerial positions in Operations, Projects and China & International Business Divisions. Dr. Kam holds a Bachelor of Science degree in Civil Engineering from the University of Southampton, and a doctoral degree in Mechanical Engineering from the University of London (University College London), both in United Kingdom. He also attended the Wharton Advanced Management Programme at the University of Pennsylvania, U.S.A. in 2005. Dr. Kam qualified as a chartered engineer in the United Kingdom in 1989. He is a member of both the Institution of Mechanical Engineers, United Kingdom, and The Hong Kong Institution of Engineers. He is also a chartered fellow of the Institution of Occupational Safety and Health, United Kingdom. Dr. Kam is also a director in some of the members of the Company's group.

Lincoln Leong Kwok-kuen 50, has served as the Finance & Business Development Director since May 2008. Mr. Leong joined the Company in February 2002 as the Finance Director and is responsible for the financial management of all of the Company's affairs, including financial planning and control, budgeting, accounting and reporting and the treasury function. In addition, he has responsibility for the Company's information technology function and serves as chairman of the board of trustees of the Company's retirement schemes. On 1 May 2008, he was re-titled the Finance & Business Development Director to reflect his additional role in overseeing growth business in the Mainland of China and overseas. Mr. Leong graduated from Cambridge University in 1982 and later qualified as a chartered accountant in England in 1985 and Canada in 1986. Prior to joining the Company as Finance Director, he worked in both the accountancy and investment banking industries. Mr. Leong had worked as an accountant in London and Vancouver, Canada and for a number of years as an investment banker in Hong Kong. Mr. Leong is a non-official member of the Family Council and a member of the executive committee of the Hong Kong Housing Society. He also serves on the Board of Governor of the Chinese International School. Mr. Leong is a non-executive director of both Hong Kong Aircraft Engineering Company Limited and Tai Ping Carpets International Limited. He was non-executive chairman of Octopus Holdings Limited (until 31 December 2010). Mr. Leong is also a director in some of the members of the Company's group.

Leonard Bryan Turk 61, is a solicitor admitted to practise both in England and Wales and in Hong Kong. He joined the Company in 1981 and has been the Legal Director & Secretary to the Board since 1988. Mr. Turk is responsible for legal advice including agreements for new rail Projects, overseas and Mainland of China rail concessions, property development joint ventures, finance and related instruments as well as any contentious or non-contentious legal work, corporate secretarial services, insurance, procurement and contracts for the operational railway and property portfolio, as well as related to the new rail Projects, enterprise risk management and corporate responsibility functions within the Company. His other responsibilities include all matters of corporate governance as well as tender and award of construction contracts, contract administration and dispute resolution. Before joining the Company, Mr. Turk worked in local government in England, concentrating particularly on commercial property development and the financing of large projects. Mr. Turk is also a director in some of the members of the Company's group.

Members of the Executive Committee

The Executive Committee comprises all Members of the Executive Directorate (whose biographies are on pages 40 to 41), General Manager – Corporate Relations, and General Manager – Marketing & Station Commercial.

Miranda Leung Chan Che-ming 58, has served the Company since 1976 and was appointed Head of the Corporate Relations Department in 1994. As General Manager – Corporate Relations, she is responsible for formulating and directing the implementation of corporate relations strategy and policies to project, maintain and enhance the public image of the Company. Her responsibilities include corporate communications, community and customer engagement, stakeholder management and political lobbying. In 1985, Mrs. Leung qualified as a chartered member of The Chartered Institute of Transport (renamed as The Chartered Institute of Logistics and Transport) in UK. She is a member of UK's Chartered Institute of Public Relations and a chartered fellow of The Chartered Institute of Logistics & Transport in Hong Kong. Mrs. Leung is a member of the Council for Sustainable Development.

Jeny Yeung Mei-chun 46, joined the Company in November 1999 as the Marketing Manager. Being the General Manager – Marketing & Station Commercial, Ms. Yeung is responsible for the marketing of the Company's railway services including fare management and promoting their usage as well as managing and enhancing the MTR Brand. She is also responsible for the management of the various non fare businesses including advertising and shop rental within the stations. Ms. Yeung graduated from the University of Hong Kong and holds a Bachelor degree in Social Sciences majoring in Management Studies. She is a fellow of the Chartered Institute of Marketing. Before joining the Company, she held various marketing and business development positions in Standard Chartered Bank (Hong Kong) Limited and Citibank in Hong Kong. Ms. Yeung is also a director in some of the members of the Company's group.

Report of the Members of the Board

The Members of the Board have pleasure in submitting their Report and the summary financial statements for the financial year ended 31 December 2010.

Principal Activities of the Group

The principal activities of the Company and its subsidiaries are:

A the operation of a modern railway system with lines from Central to Tsuen Wan (Tsuen Wan Line), from Yau Ma Tei to Tiu Keng Leng (Kwun Tong Line), from Po Lam and LOHAS Park to North Point (Tseung Kwan O Line), from Chai Wan to Sheung Wan (Island Line), from Hong Kong to Tung Chung (Tung Chung Line), from Hong Kong to the Hong Kong International Airport and then AsiaWorld-Expo both at Chek Lap Kok (Airport Express), from Sunny Bay to Disneyland Resort (Disneyland Resort Line), from Hung Hom to the boundary at Lo Wu and Lok Ma Chau (East Rail Line), from Tai Wai to Wu Kai Sha (Ma On Shan Line), from Hung Hom to Tuen Mun (West Rail Line), the North-west Railway (commonly known as Light Rail) in the North-West New Territories of Tuen Mun, Tin Shui Wai and Yuen Long, an intercity railway system between Hong Kong and some major cities in the Mainland of China, and feeder bus services in support of West Rail Line, East Rail Line and Light Rail;

B property development, either as owner or as an agent for KCRC, at locations along the related railway lines including the Tseung Kwan O Line, the Ma On Shan Line, the East Rail Line, the Light Rail and the West Rail Line;

C related commercial activities, including the letting of advertising and retail space, enabling telecommunication services on the railway system, property management and leasing management of investment properties (including shopping malls, offices and residential units);

D the investment in a 50% equity share in the operation of the 7-year UK's London Overground Concession, consisting of 5 London railway lines (including the East London Line from Dalston Junction to West Croydon and Crystal Palace which was refurbished and extended, and commenced operation in May 2010), increasing the total route length to 110 kilometres;

E the investment in the operation (including rolling stock maintenance which is undertaken by a 50:50 joint venture) of the 8-year Sweden's Stockholm Metro Concession, consisting of three lines measuring a total of 108 kilometres, linking the Swedish capital's central areas with surrounding suburbs;

F the investment in a 60% equity share in the operation and maintenance of Australia's Melbourne train system, consisting of 15 lines measuring a total of 372 kilometres, linking Melbourne's central business district with surrounding suburbs, under a franchise agreement with an initial period of 8 years;

G the design and construction of the West Island Line as an extension of the Island Line;

H the design, construction, procurement of services and equipment, and all other matters associated with bringing the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link into service;

I the design of the Kwun Tong Line Extension and the South Island Line (East) as the railway system extensions for which scheme authorisation has been granted;

J the planning and design of the Shatin to Central Link as a major project for which the Government has confirmed policy support;

K the operation of the Tung Chung to Ngong Ping Cable Car System and the Theme Village in Ngong Ping, Lantau Island, Hong Kong;

L worldwide consultancy services covering all areas of expertise required in the project management, planning, construction, operation, maintenance and up-grading of railways plus fare collection, property integration/development advice including other property related services and advice on generation of non-fare revenues;

M investment in Octopus Holdings Limited, a subsidiary of the Company, which has business activities both in Hong Kong and overseas including the operation of a smart card system by its subsidiary Octopus Cards Limited for the collection of payments for both transport and non-transport applications in Hong Kong;

N equity investments and long term operations and maintenance contracts outside of Hong Kong;

O property management, shopping mall investment and railway related property development business in the Mainland of China;

P the investment in a 49% equity interest in a joint venture for the investment, construction and operations of Beijing Metro Line 4, consisting of 28 kilometres with 24 stations forming the main north-south traffic artery for Beijing, Mainland of China under a 30-year concession agreement with the Beijing Municipal Government, and operations and maintenance of Beijing Metro Daxing Line, an extension to the Beijing Metro Line 4, consisting of 22 kilometres with 11 stations, under a 10-year operations and maintenance concession agreement with Beijing Metro Daxing Line Investment Company Limited, a wholly owned subsidiary of Beijing Municipal Government; and

Q the investment in the design, construction and future operations of Phase 2, together with operations of Phase 1 (which started in July 2010) of Shenzhen Metro Line 4, a 20.5 kilometres double-track urban railway running from Futian Checkpoint at the boundary between Hong Kong and Shenzhen, Mainland of China, to Longhua New Town in Shenzhen with a total of 15 stations, under a 30-year Build-Operate-Transfer concession agreement with the Shenzhen Municipal Government.

A Concession Agreement for a Public-Private Partnership project for the investment, construction and operations of Hangzhou Metro Line 1 for a term of 25 years was entered into by MTR Hangzhou Line 1 Investment Company Limited (a wholly-owned subsidiary of the Company) and a subsidiary of Hangzhou Metro Group Company Limited together with Hangzhou Municipal Government. The Concession Agreement is pending for the regulatory Central Government approval.

The Company had wound down its freight business in June 2010 to better utilize train paths thus providing greater flexibility for passenger train services.

Dividend

The Directors have recommended a final dividend of HK\$0.45 per Ordinary Share to be payable to shareholders whose names appear on the Register of Members of the Company on 24 March 2011. Subject to the passing of the necessary resolutions at the forthcoming Annual General Meeting, such dividend will be payable on or about 18 May 2011, in cash in Hong Kong dollars, with a scrip dividend alternative.

Members of the Board

Members of the Board who served during the year were Raymond Ch'ien Kuo-fung (non-executive Chairman), Chow Chung-kong (Chief Executive Officer), Vincent Cheng Hoi-chuen, Christine Fang Meng-sang, Edward Ho Sing-tin, Allister George Morrison (also known as Alasdair George Morrison) [appointed on 9 July 2010], Ng Leung-sing, Abraham Shek Lai-him, T. Brian Stevenson, Chan Ka-keung, Ceajer, the Secretary for Transport and Housing (Eva Cheng) and the Commissioner for Transport (Joseph Lai Yee-tak).

In December 2010, Chow Chung-kong informed the Board that he would retire from the position of Chief Executive Officer and cease to be a Member of the Board when his current contract as the Chief Executive Officer expires on 31 December 2011.

At the Annual General Meeting on 27 May 2010 and pursuant to the Articles of Association, Chow Chung-kong, Christine Fang Meng-sang and Vincent Cheng Hoi-chuen retired under the Articles of Association and were re-elected/elected as Members of the Board.

At the 2011 Annual General Meeting and in accordance with the Articles of Association, Edward Ho Sing-tin, Ng Leung-sing and Abraham Shek Lai-him will retire by rotation and will offer themselves for re-election. Alasdair George Morrison, who was appointed by the Board after the 2010 Annual General Meeting, will retire under Article 85 of the Articles of Association and will offer himself for election at the 2011 Annual General Meeting. Please also refer to page 24 of the Corporate Governance Report.

Biographical details for Board Members are set out on pages 38 to 40.

Alternate Directors

The Alternate Directors in office during the year were:

- for Chan Ka-keung, Ceajer: Ying Yiu-hong, Leung Cheuk-man [ceased on 25 October 2010] and Chu Man-ling [with effect from 25 October 2010];
- for the office of the Secretary for Transport and Housing: (i) the Under Secretary for Transport and Housing (Yau Shing-mu); (ii) the Permanent Secretary for Transport and Housing (Transport) (Ho Suen-wai); and (iii) the Deputy Secretary for Transport and Housing (Transport) (Yung Wai-hung and Shirley Yuen [who ceased to be Deputy Secretaries for Transport and Housing (Transport) and accordingly ceased to be alternate directors to the office of the Secretary for Transport and Housing, with effect from 1 February 2010 and 1 October 2010 respectively], Maisie Cheng Mei-sze [with effect from 1 February 2010] and Rebecca Pun Ting-ting [with effect from 1 October 2010]); and
- for the Commissioner for Transport: the Deputy Commissioner for Transport/Transport Services and Management (Carolina Yip Lai-ching).

Executive Directorate

The Members of the Executive Directorate who served during the year were Chow Chung-kong (Chief Executive Officer and a Member of the Board), Russell John Black [retired on 1 February 2010], William Chan Fu-keung, Chew Tai Chong [appointed on 1 February 2010], Thomas Ho Hang-kwong, Lincoln Leong Kwok-kuen, Andrew McCusker [retired with effect from 1 January 2011] and Leonard Bryan Turk.

Russell John Black retired as Projects Director and a Member of the Executive Directorate, and Chew Tai Chong was appointed as Projects Director and a Member of the Executive Directorate, both with effect from 1 February 2010. Mr. Chew joined the Company as Deputy Projects Director – New Projects in May 2009.

As announced on 21 June 2010, Andrew McCusker retired as Operations Director and a Member of the Executive Directorate, and Jacob Kam Chak-pui was appointed as Operations Director and a Member of the Executive Directorate, both with effect from 1 January 2011. Dr. Kam joined the Company in 1995, and was appointed as Deputy Operations Director in July 2010.

Biographical details for Members of the Executive Directorate during the year are set out on pages 40 to 41.

Report of the Members of the Board

Internal Audit

The Company's Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve the Company's operations. Key responsibilities of the Department include:

- Assessment of the adequacy and effectiveness of the Company's system of internal controls over its activities and risk management.
- Identification of opportunities for improving management control, resources utilisation and profitability.
- Special reviews and/or investigations as commissioned by Company management or the Audit Committee.

The Head of Internal Audit reports directly to the Chief Executive Officer and has direct access to the Audit Committee.

Business Ethics

Please refer to page 31.

Policies

The Board has adopted the following risk management strategies and policies:

- A** Construction and Insurance Risk Management Strategy;
- B** Finance Risk Management Strategy;
- C** Treasury Risk Management Strategy;
- D** Safety Risk Management Strategy;
- E** Enterprise Risk Management Strategy;
- F** Security Risk Management Policy; and
- G** Environmental Risk Management Policy.

Public Float

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granted to the Company, at the time of its listing on the Main Board of the Stock Exchange in 2000, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules ("Public Float Waiver"). Pursuant to the Public Float Waiver, the Company's prescribed minimum percentage of shares which must be in the hands of the public must not be less than 10% of the total issued share capital of the Company. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required by the Public Float Waiver.

Summary Financial Statements

The state of affairs of the Group as at 31 December 2010 and of its results for the year are set out in the summary financial statements on pages 53 to 66.

Ten-Year Statistics

A summary of the results and of the assets and liabilities of the Group together with some major operational statistics for the last ten years are set out on pages 16 to 17.

Fixed Assets and Railway Construction in Progress

Movements in fixed assets and railway construction in progress during the year are set out in note 5 to the summary financial statements.

Movements in Reserves

Movements in reserves during the year are set out in the Consolidated Statement of Changes in Equity.

Share Capital

As at 31 December 2009, the authorised share capital of the Company was HK\$6.5 billion, divided into 6.5 billion Ordinary Shares, 5,727,833,692 of which were issued and credited as fully paid.

During the year, the Company issued a total of 44,729,339 Ordinary Shares. Of this number:

- A** 2,922,500 Ordinary Shares were issued by the Company pursuant to the exercise of share options which had been granted under the Company's Pre-Global Offering Share Option Scheme. In respect of each Ordinary Share issued, the relevant exercise price per share of options is HK\$8.44 to the Company;
- B** 195,000 Ordinary Shares were issued by the Company pursuant to the exercise of share options which had been granted under the Company's New Joiners Share Option Scheme. In respect of each Ordinary Share issued, the relevant exercise price per share of options are HK\$9.75, HK\$18.05 and HK\$20.66 to the Company;
- C** 1,573,500 Ordinary Shares were issued by the Company pursuant to the exercise of share options which had been granted under the Company's 2007 Share Option Scheme. In respect of each Ordinary Share issued, the relevant exercise price per share of options are HK\$18.30, HK\$24.50, HK\$26.52, HK\$26.85, and HK\$27.60 to the Company;
- D** 37,130,522 Ordinary Shares were issued by the Company in order to satisfy shareholders' scrip dividend elections in respect of the final dividend of the Company for the year ended 31 December 2009 (for which the cash dividend was HK\$0.38 per Ordinary Share); and
- E** 2,907,817 Ordinary Shares were issued by the Company in order to satisfy shareholders' scrip dividend elections in respect of the interim dividend of the Company for the six months ended 30 June 2010 (for which the cash dividend was HK\$0.14 per Ordinary Share).

As at 31 December 2010, the authorised share capital of the Company was HK\$6.5 billion, divided into 6.5 billion Ordinary Shares, 5,772,563,031 of which were issued and credited as fully paid.

Redemption of Listed Securities

The Company redeemed its US\$600 million global notes on 8 November 2010. The notes were listed on the Luxembourg Stock Exchange prior to the redemption.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year 2010.

Donations

During the year, the Company donated a total of HK\$2,401,000 to charitable and other organisations, including donations of HK\$1 million and HK\$500,000 to the victims of the Qinghai and Haiti earthquake respectively to help provide clothing, medical supplies and other emergency materials.

In addition, the MTR HONG KONG Race Walking 2010 raised over HK\$1.13 million (including over HK\$64,000 from MTR staff) for the Hospital Authority Health InfoWorld to promote good health.

The Company helped raise funds for the Community Chest and the Hong Kong Cancer Fund with a total cash donation of over HK\$310,000 through different activities such as CARE Scheme, Green Day, Love Teeth Day and Dress Special Day for the former organisation and Dress Pink Day for the latter.

Reporting and Monitoring

There is a comprehensive budgeting system for all operational and business activities, with an annual budget approved by the Board. Monthly results of the Company's operations, businesses and projects are reported against the budget to the Board and updated forecasts for the year are prepared regularly.

Treasury Management

The Company's Treasury Department operates within approved guidelines from the Board. It manages the Company's debt profile with reference to the Preferred Financing Model which defines the preferred mix of financing instruments, fixed and floating rate debts, maturities, interest rate risks, currency exposure and financing horizon. The model is reviewed and refined periodically to reflect changes in the Company's financing requirements and market environment. Derivative financial instruments such as interest rate swaps and cross currency swaps are used only as hedging tools to manage the Group's exposure to interest rate and currency risks. Prudent guidelines and procedures are in place to control the Company's derivatives activities, including a comprehensive credit risk management system for monitoring counterparty credit exposure using the Value-at-Risk approach. There is also appropriate segregation of duties within the Company's Treasury Department.

Major financing transactions and guidelines for derivatives transactions including credit risk management framework are approved at the Board level.

Capital and Revenue Expenditure

There are defined procedures for the appraisal, review and approval of major capital and revenue expenditures. All project expenditure over 0.2% of the net assets of the Company and the employment of consultancy services over 0.1% of the net assets of the Company require the approval of the Board.

Bonds and Notes Issued

The Group has not issued any bonds or notes during the financial year 2010.

Computer Processing

There are defined procedures, controls and regular quality reviews on the operation of computer systems to ensure the accuracy and completeness of financial records and efficiency of data processing. The Company's computer centre operation and support, help desk operation and support services, and also software development and maintenance, have been certified under ISO 9001:2008. Disaster recovery rehearsal on critical applications is conducted annually.

Interests in Contracts of Members of the Board and the Executive Directorate

There was no contract of significance, to which the Company or any of its subsidiaries was a party and in which a Member of the Board or a Member of the Executive Directorate had a material interest (whether direct or indirect), which subsisted at the end of the year or at any time during the year.

Board Members' and Executive Directorate's Interests in Shares

As at 31 December 2010, the interests or short positions of the Members of the Board and the Executive Directorate in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Report of the Members of the Board

Long Positions in Shares and Underlying Shares of the Company

Member of the Board or the Executive Directorate	Number of Ordinary Shares held			Derivatives		Total interests	Percentage of aggregate interests to total issued share capital
	Personal* interests	Family† interests	Corporate interests	Share Options	Other		
Raymond Ch'ien Kuo-fung	51,499	–	–	–	–	51,499	0.00089
Chow Chung-kong	–	–	–	2,130,000 (Note 1)	222,161 (Note 2)	2,352,161	0.04075
Vincent Cheng Hoi-chuen	1,675	1,675	–	–	–	3,350	0.00006
Christine Fang Meng-sang	1,712	–	–	–	–	1,712	0.00003
T. Brian Stevenson	5,072	–	–	–	–	5,072	0.00009
William Chan Fu-keung	124,849	–	–	680,000 (Note 1)	–	804,849	0.01394
Chew Tai Chong	–	–	–	425,000 (Note 1)	–	425,000	0.00736
Thomas Ho Hang-kwong	148,850	2,541	–	637,500 (Note 1)	–	788,891	0.01367
Lincoln Leong Kwok-kuen	23,000	–	23,000 (Note 3)	(i) 417,500 (Note 4) (ii) 680,000 (Note 1)	–	1,143,500	0.01981
Andrew McCusker	–	–	–	453,000 (Note 1)	–	453,000	0.00785
Leonard Bryan Turk	–	–	–	637,500 (Note 1)	–	637,500	0.01104

Member of the Executive Directorate	Number of Ordinary Shares held			Derivatives		Total interests	Percentage of aggregate interests to total issued share capital
	Personal* interests	Family† interests	Corporate interests	Share Options	Other		
Jacob Kam Chak-pui (Note 5)	2,283	–	–	425,000 (Note 1)	–	427,283	0.00740

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.
- Chow Chung-kong has a derivative interest in respect of 222,161 shares in the Company within the meaning of Part XV of the SFO. That derivative interest represents Mr. Chow's entitlement to receive an equivalent value in cash of 222,161 shares in the Company on completion of his existing contract (on 31 December 2011).
- The 23,000 shares are held by Linsan Investment Ltd., a private limited company beneficially wholly owned by 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.
- Jacob Kam Chak-pui became the Operations Director and a Member of the Executive Directorate on 1 January 2011.

* Interests as beneficial owner

† Interests of spouse or child under 18 as beneficial owner

Options to subscribe for Ordinary Shares granted under the Pre-Global Offering Share Option Scheme, as referred to in Note 3B(i) to the Summary Financial Statements

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
William Chan Fu-keung	20/9/2000	1,066,000	5/4/2001 – 11/9/2010	117,500	–	–	117,500	8.44	–	28.65
Other eligible employees	20/9/2000	41,409,000	5/4/2001 – 11/9/2010	2,830,500	–	25,500	2,805,000	8.44	–	27.86

Notes

- The Pre-Global Offering Share Option Scheme ("Pre-IPO Option Scheme") was valid and effective for a period of ten years after 12 September 2000. No option might be offered to be granted under the Pre-IPO Option Scheme on or after the commencement of dealings in shares of the Company on Stock Exchange on 5 October 2000 ("Listing Date").
- The number of shares to which the option granted to each participant under the Pre-IPO Option Scheme did not exceed 25% of the number of the shares issued and issuable under the Pre-IPO Option Scheme.
- The above share options fully vested on 5 October 2003. The proportion of underlying shares in respect of which the share options had vested was as follows:

Date	Proportion of underlying shares in respect of which an option is vested
Before 5 October 2001	none
5 October 2001 to 4 October 2002	one-third
5 October 2002 to 4 October 2003	two-thirds
After 4 October 2003	all

Vesting of the share options might be accelerated to an earlier date in some circumstances. However, no such option should vest and become exercisable before 5 April 2001, i.e. the date falling six months after the Listing Date.

- The Pre-IPO Option Scheme expired on 11 September 2010.

Options to subscribe for Ordinary Shares granted under the New Joiners Share Option Scheme, as referred to in Note 3B(ii) to the Summary Financial Statements

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options granted during the year	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Lincoln Leong Kwok-kuen	1/8/2003	1,066,000	14/7/2004 – 14/7/2013	417,500	–	–	–	–	9.75	417,500	–
Other eligible employees	1/8/2003	495,200	14/7/2004 – 14/7/2013	139,200	–	–	–	31,000	9.75	108,200	28.51
	23/9/2005	213,000	9/9/2006 – 9/9/2015	213,000	–	–	–	–	15.97	213,000	–
	31/3/2006	94,000	20/3/2007 – 20/3/2016	94,000	–	–	–	94,000	18.05	–	29.20
	5/10/2006	94,000	29/9/2007 – 29/9/2016	94,000	–	–	–	–	19.732	94,000	–
	12/5/2006	266,500	25/4/2007 – 25/4/2016	266,500	–	–	–	–	20.66	266,500	–
	15/5/2006	213,000	25/4/2007 – 25/4/2016	92,000	–	–	–	70,000	20.66	22,000	28.64

Notes

- No option may be exercised later than ten years after its date of offer and no option may be offered to be granted more than five years after the adoption of the New Joiners Share Option Scheme ("New Option Scheme") on 16 May 2002.
- Unless approved by shareholders in the manner as required by the Listing Rules, the total number of shares issued and issuable upon exercise of the options granted to any eligible employee under the New Option Scheme together with the total number of shares issued and issuable upon the exercise of any option granted to such eligible employee under any other share option scheme of the Company (including, in each case, both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue at the date of offer in respect of such option under the New Option Scheme.
- 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

Report of the Members of the Board

Options to subscribe for Ordinary Shares granted under the 2007 Share Option Scheme, as referred to in Note 3B(iii) to the Summary Financial Statements

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options granted during the year	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Chow Chung-kong	13/12/2007	720,000	10/12/2008 – 10/12/2014	720,000	–	240,000	–	–	27.60	720,000	–
	9/12/2008	470,000	8/12/2009 – 8/12/2015	470,000	–	157,000	–	–	18.30	470,000	–
	9/12/2009	470,000	8/12/2010 – 8/12/2016	470,000	–	157,000	–	–	26.85	470,000	–
	17/12/2010	470,000	16/12/2011 – 16/12/2017	–	470,000	–	–	–	28.84	470,000	–
William Chan Fu-keung	13/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	56,000	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	57,000	–	–	26.85	170,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	–	170,000	–	–	–	28.84	170,000	–
Chew Tai Chong	18/6/2009	85,000	12/6/2010 – 12/6/2016	85,000	–	28,500	–	–	24.50	85,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	57,000	–	–	26.85	170,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	–	170,000	–	–	–	28.84	170,000	–
Thomas Ho Hang-kwong	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	56,000	–	–	27.60	170,000	–
	11/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	14/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	57,000	–	–	26.85	170,000	–
	17/12/2010	127,500	16/12/2011 – 16/12/2017	–	127,500	–	–	–	28.84	127,500	–
Lincoln Leong Kwok-kuen	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	56,000	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	57,000	–	–	26.85	170,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	–	170,000	–	–	–	28.84	170,000	–
Andrew McCusker	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	56,000	–	–	27.60	170,000	–
	12/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	57,000	18.30	113,000	26.80
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	57,000	–	–	26.85	170,000	–
Leonard Bryan Turk	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	56,000	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	57,000	–	–	26.85	170,000	–
	17/12/2010	127,500	16/12/2011 – 16/12/2017	–	127,500	–	–	–	28.84	127,500	–
Jacob Kam Chak-pui (Note 4)	13/12/2007	75,000	10/12/2008 – 10/12/2014	75,000	–	25,000	–	–	27.60	75,000	–
	8/12/2008	65,000	8/12/2009 – 8/12/2015	65,000	–	22,000	–	–	18.30	65,000	–
	14/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	22,000	–	–	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	–
Other eligible employees	11/12/2007	45,000	10/12/2008 – 10/12/2014	45,000	–	15,000	–	–	27.60	45,000	–
	12/12/2007	2,050,000	10/12/2008 – 10/12/2014	1,736,000	–	577,000	12,000	116,000	27.60	1,608,000	29.61
	13/12/2007	840,000	10/12/2008 – 10/12/2014	840,000	–	272,000	–	–	27.60	840,000	–
	14/12/2007	1,005,000	10/12/2008 – 10/12/2014	973,000	–	319,000	35,500	65,500	27.60	872,000	29.89
	15/12/2007	435,000	10/12/2008 – 10/12/2014	370,000	–	121,000	–	27,000	27.60	343,000	29.20
	17/12/2007	835,000	10/12/2008 – 10/12/2014	773,000	–	256,000	–	22,000	27.60	751,000	30.35
	18/12/2007	445,000	10/12/2008 – 10/12/2014	380,000	–	124,000	–	92,000	27.60	288,000	29.27
	19/12/2007	115,000	10/12/2008 – 10/12/2014	115,000	–	26,000	35,000	–	27.60	80,000	–
	20/12/2007	190,000	10/12/2008 – 10/12/2014	190,000	–	63,000	–	–	27.60	190,000	–
	21/12/2007	45,000	10/12/2008 – 10/12/2014	45,000	–	15,000	–	30,000	27.60	15,000	28.55
	22/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	11,000	–	–	27.60	35,000	–
	24/12/2007	118,000	10/12/2008 – 10/12/2014	118,000	–	39,000	–	–	27.60	118,000	–

**Options to subscribe for Ordinary Shares granted under the 2007 Share Option Scheme,
as referred to in Note 3B(iii) to the Summary Financial Statements (continued)**

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options granted during the year	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Other eligible employees	28/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	11,000	–	–	27.60	35,000	–
	31/12/2007	130,000	10/12/2008 – 10/12/2014	130,000	–	43,000	–	–	27.60	130,000	–
	2/1/2008	75,000	10/12/2008 – 10/12/2014	75,000	–	24,000	27,000	–	27.60	48,000	–
	3/1/2008	40,000	10/12/2008 – 10/12/2014	40,000	–	13,000	–	–	27.60	40,000	–
	7/1/2008	125,000	10/12/2008 – 10/12/2014	125,000	–	41,000	–	–	27.60	125,000	–
	28/3/2008	255,000	26/3/2009 – 26/3/2015	255,000	–	87,500	–	51,000	26.52	204,000	29.25
	31/3/2008	379,000	26/3/2009 – 26/3/2015	379,000	–	131,000	–	30,000	26.52	349,000	29.32
	1/4/2008	261,000	26/3/2009 – 26/3/2015	261,000	–	91,000	–	12,000	26.52	249,000	30.55
	2/4/2008	296,000	26/3/2009 – 26/3/2015	296,000	–	103,000	6,000	14,000	26.52	276,000	28.40
	3/4/2008	171,000	26/3/2009 – 26/3/2015	171,000	–	59,500	–	12,000	26.52	159,000	29.15
	4/4/2008	23,000	26/3/2009 – 26/3/2015	23,000	–	8,000	–	–	26.52	23,000	–
	5/4/2008	17,000	26/3/2009 – 26/3/2015	17,000	–	6,000	–	–	26.52	17,000	–
	7/4/2008	390,000	26/3/2009 – 26/3/2015	358,000	–	124,000	–	16,000	26.52	342,000	30.55
	8/4/2008	174,000	26/3/2009 – 26/3/2015	155,000	–	54,000	23,000	16,000	26.52	116,000	30.70
	9/4/2008	85,000	26/3/2009 – 26/3/2015	85,000	–	29,500	–	–	26.52	85,000	–
	10/4/2008	58,000	26/3/2009 – 26/3/2015	58,000	–	20,000	–	–	26.52	58,000	–
	11/4/2008	134,000	26/3/2009 – 26/3/2015	117,000	–	40,500	–	–	26.52	117,000	–
	12/4/2008	48,000	26/3/2009 – 26/3/2015	48,000	–	16,500	–	–	26.52	48,000	–
	14/4/2008	40,000	26/3/2009 – 26/3/2015	40,000	–	14,000	–	–	26.52	40,000	–
	15/4/2008	34,000	26/3/2009 – 26/3/2015	34,000	–	12,000	–	–	26.52	34,000	–
	16/4/2008	57,000	26/3/2009 – 26/3/2015	40,000	–	14,000	–	–	26.52	40,000	–
	17/4/2008	147,000	26/3/2009 – 26/3/2015	124,000	–	43,000	–	–	26.52	124,000	–
	18/4/2008	32,000	26/3/2009 – 26/3/2015	15,000	–	5,000	–	–	26.52	15,000	–
	19/4/2008	25,000	26/3/2009 – 26/3/2015	25,000	–	8,500	–	–	26.52	25,000	–
	21/4/2008	66,000	26/3/2009 – 26/3/2015	66,000	–	23,000	–	–	26.52	66,000	–
	23/4/2008	34,000	26/3/2009 – 26/3/2015	19,000	–	6,500	–	–	26.52	19,000	–
	8/12/2008	90,000	8/12/2009 – 8/12/2015	45,000	–	15,500	–	–	18.30	45,000	–
	9/12/2008	483,000	8/12/2009 – 8/12/2015	483,000	–	154,500	16,500	13,500	18.30	453,000	27.46
	10/12/2008	2,176,400	8/12/2009 – 8/12/2015	2,161,400	–	734,000	–	120,500	18.30	2,040,900	28.92
	11/12/2008	2,294,200	8/12/2009 – 8/12/2015	2,294,200	–	772,500	–	173,000	18.30	2,121,200	29.28
	12/12/2008	1,311,500	8/12/2009 – 8/12/2015	1,305,000	–	442,000	–	126,000	18.30	1,179,000	28.35
	13/12/2008	84,500	8/12/2009 – 8/12/2015	84,500	–	28,500	–	–	18.30	84,500	–
	14/12/2008	88,200	8/12/2009 – 8/12/2015	79,700	–	30,000	–	–	18.30	79,700	–
	15/12/2008	1,084,700	8/12/2009 – 8/12/2015	1,084,700	–	351,500	44,000	110,500	18.30	930,200	27.92
	16/12/2008	581,500	8/12/2009 – 8/12/2015	581,500	–	180,000	41,500	52,500	18.30	487,500	28.84
	17/12/2008	513,500	8/12/2009 – 8/12/2015	513,500	–	173,000	–	28,000	18.30	485,500	27.86
	18/12/2008	611,500	8/12/2009 – 8/12/2015	611,500	–	206,500	21,000	107,500	18.30	483,000	28.97
	19/12/2008	198,000	8/12/2009 – 8/12/2015	198,000	–	67,000	–	–	18.30	198,000	–
	20/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	6,500	–	–	18.30	19,000	–
	22/12/2008	772,500	8/12/2009 – 8/12/2015	767,500	–	259,500	–	78,000	18.30	689,500	29.85
	23/12/2008	306,000	8/12/2009 – 8/12/2015	299,500	–	97,000	14,000	39,000	18.30	246,500	29.02
	24/12/2008	500,500	8/12/2009 – 8/12/2015	485,500	–	168,500	–	30,000	18.30	455,500	29.59
	25/12/2008	45,000	8/12/2009 – 8/12/2015	45,000	–	15,000	–	–	18.30	45,000	–
	29/12/2008	148,000	8/12/2009 – 8/12/2015	148,000	–	50,000	15,000	–	18.30	133,000	–
	30/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	6,500	–	–	18.30	19,000	–
	18/6/2009	170,000	12/6/2010 – 12/6/2016	170,000	–	57,000	53,000	27,000	24.50	90,000	30.45

Report of the Members of the Board

Options to subscribe for Ordinary Shares granted under the 2007 Share Option Scheme, as referred to in Note 3B(iii) to the Summary Financial Statements (continued)

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2010	Options granted during the year	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2010	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Other eligible employees	6/7/2009	45,000	12/6/2010 – 12/6/2016	45,000	–	15,000	–	–	24.50	45,000	–
	9/7/2009	45,000	12/6/2010 – 12/6/2016	45,000	–	15,000	–	15,000	24.50	30,000	31.20
	9/12/2009	200,000	8/12/2010 – 8/12/2016	200,000	–	39,000	85,000	–	26.85	115,000	–
	10/12/2009	2,001,000	8/12/2010 – 8/12/2016	2,001,000	–	661,000	73,000	24,000	26.85	1,904,000	29.76
	11/12/2009	2,362,000	8/12/2010 – 8/12/2016	2,362,000	–	788,000	25,000	15,000	26.85	2,322,000	28.55
	12/12/2009	610,000	8/12/2010 – 8/12/2016	610,000	–	205,500	–	–	26.85	610,000	–
	13/12/2009	19,000	8/12/2010 – 8/12/2016	19,000	–	6,500	–	6,500	26.85	12,500	28.50
	14/12/2009	2,273,000	8/12/2010 – 8/12/2016	2,273,000	–	745,500	64,000	–	26.85	2,209,000	–
	15/12/2009	2,838,000	8/12/2010 – 8/12/2016	2,838,000	–	953,500	19,000	15,000	26.85	2,804,000	28.58
	16/12/2009	1,550,000	8/12/2010 – 8/12/2016	1,550,000	–	518,000	35,500	23,500	26.85	1,491,000	28.74
	17/12/2009	1,000,000	8/12/2010 – 8/12/2016	1,000,000	–	329,500	25,000	–	26.85	975,000	–
	18/12/2009	389,000	8/12/2010 – 8/12/2016	389,000	–	131,500	–	8,500	26.85	380,500	28.10
	19/12/2009	70,000	8/12/2010 – 8/12/2016	70,000	–	23,500	–	–	26.85	70,000	–
	20/12/2009	75,000	8/12/2010 – 8/12/2016	75,000	–	25,500	–	–	26.85	75,000	–
	21/12/2009	520,000	8/12/2010 – 8/12/2016	520,000	–	176,000	–	–	26.85	520,000	–
	22/12/2009	256,000	8/12/2010 – 8/12/2016	256,000	–	80,500	19,000	–	26.85	237,000	–
	21/7/2010	305,000	28/6/2011 – 28/6/2017	–	305,000	–	–	–	27.73	305,000	–
	16/12/2010	194,000	16/12/2011 – 16/12/2017	–	194,000	–	–	–	28.84	194,000	–
	17/12/2010	4,062,000	16/12/2011 – 16/12/2017	–	4,062,000	–	–	–	28.84	4,062,000	–
	18/12/2010	673,000	16/12/2011 – 16/12/2017	–	673,000	–	–	–	28.84	673,000	–
	19/12/2010	174,000	16/12/2011 – 16/12/2017	–	174,000	–	–	–	28.84	174,000	–
	20/12/2010	4,854,500	16/12/2011 – 16/12/2017	–	4,854,500	–	–	–	28.84	4,854,500	–
	21/12/2010	3,020,000	16/12/2011 – 16/12/2017	–	3,020,000	–	–	–	28.84	3,020,000	–
22/12/2010	975,000	16/12/2011 – 16/12/2017	–	975,000	–	–	–	28.84	975,000	–	
23/12/2010	189,000	16/12/2011 – 16/12/2017	–	189,000	–	–	–	28.84	189,000	–	

Notes

- No option may be exercised later than seven years after its date of offer and no option may be offered to be granted more than seven years after the adoption of the 2007 Share Option Scheme ("2007 Option Scheme") on 7 June 2007.
- Unless approved by shareholders in the manner as required by the Listing Rules, the total number of shares issued and issuable upon exercise of the options granted to any eligible employee under the 2007 Option Scheme together with the total number of shares issued and issuable upon the exercise of any option granted to such eligible employee under any other share option scheme of the Company (including, in each case, both exercised and outstanding options) in any 12-month period must not exceed 0.2% of the shares of the Company in issue at the date of offer in respect of such option under the 2007 Option Scheme.
- 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

- Jacob Kam Chak-pui became the Operations Director and a Member of the Executive Directorate on 1 January 2011.

During the year ended 31 December 2010, 1,235,000 and 14,666,500 options to subscribe for shares of the Company were granted to 6 Members of the Executive Directorate and 411 employees respectively under the 2007 Share Option Scheme. Details of the grant are set out in the tables above. The respective closing price per share immediately before the respective date of grant of the options is set out below. Pursuant to the terms of the

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

Date granted	Closing price per share immediately before the date of grant (HK\$)	Estimated risk-free interest rate (%)	Expected life (Years)	Estimated Volatility	Expected dividend per share (HK\$)	Weighted average value per option granted (HK\$)
21/7/2010	27.35	0.89	3.5	0.32	0.52	5.53
16/12/2010	28.55	1.21	3.5	0.32	0.52	5.86
17/12/2010	28.35	1.28	3.5	0.32	0.52	5.77
18/12/2010	28.45	1.28	3.5	0.32	0.52	5.83
19/12/2010	28.45	1.28	3.5	0.32	0.52	5.83
20/12/2010	28.45	1.20	3.5	0.32	0.52	5.79
21/12/2010	28.05	1.21	3.5	0.32	0.52	5.56
22/12/2010	28.40	1.20	3.5	0.32	0.52	5.76
23/12/2010	28.50	1.20	3.5	0.32	0.52	5.81

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 year ended 31 December 2010, no Member of the Board or the Executive Directorate nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them,

as recorded in the register kept by the Company under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Members of the Board

Substantial Shareholders' Interests

Set out below is the name of the party which was interested in 5% or more of the nominal value of the share capital of the Company and the number of shares in which it was interested as at 31 December 2010 as recorded in the register kept by the Company under section 336 of the SFO:

Name	No. of Ordinary Shares	Percentage of Ordinary Shares to total issued share capital
The Financial Secretary Incorporated (in trust on behalf of the Government)	4,434,552,207	76.82

The Company has been informed by the Government that, as at 31 December 2010, approximately 0.56% of the shares of the Company were held for the account of the Exchange Fund. The Exchange Fund is a fund established under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) under the control of the Financial Secretary.

Major Suppliers and Customers

Less than 30% in value of supplies (which were not of a capital nature) purchased during the year ended 31 December 2010 was attributable to the Company's five largest suppliers. Less than 30% in value of the Company's turnover during the year ended 31 December 2010 was attributable to the Company's five largest customers combined by value.

Going Concern

The summary financial statements on pages 53 to 66 have been prepared on a going concern basis. The Board has reviewed the Company's budget for 2011, together with the longer-term forecast for the following five years and is satisfied that the Company has sufficient resources to continue as a going concern for the foreseeable future.

By order of the Board

Leonard Bryan Turk
Secretary to the Board
Hong Kong, 3 March 2011

Consolidated Profit and Loss Account

for the year ended 31 December in HK\$ million	2010	2009
Hong Kong fare revenue	12,459	11,498
Station commercial and rail related revenue	3,715	3,328
Rental, management and other revenue	3,200	2,928
Revenue from railway subsidiaries outside of Hong Kong	10,144	1,043
Other net income	–	–
	29,518	18,797
Expenses relating to Hong Kong fare revenue		
– Staff costs and related expenses	(3,398)	(3,387)
– Energy and utilities	(1,067)	(1,020)
– Operational rent and rates	(184)	(183)
– Stores and spares consumed	(421)	(403)
– Maintenance and related works	(912)	(915)
– Railway support services	(139)	(127)
– General and administration expenses	(379)	(329)
– Other expenses	(228)	(179)
	(6,728)	(6,543)
Expenses relating to station commercial and rail related businesses	(975)	(632)
Expenses relating to property ownership, management and other businesses	(817)	(866)
Expenses relating to railway subsidiaries outside of Hong Kong	(9,865)	(1,035)
Project study and business development expenses	(216)	(206)
Operating expenses before depreciation, amortisation and variable annual payment arising from the Rail Merger	(18,601)	(9,282)
Operating profit from railway and related businesses before depreciation, amortisation and variable annual payment arising from the Rail Merger	10,917	9,515
Profit on property developments	4,034	3,554
Operating profit before depreciation, amortisation and variable annual payment arising from the Rail Merger	14,951	13,069
Depreciation and amortisation	(3,120)	(2,992)
Variable annual payment arising from the Rail Merger	(45)	–
Merger related expenses	–	(12)
Operating profit before interest and finance charges	11,786	10,065
Interest and finance charges	(1,237)	(1,504)
Change in fair value of investment properties	4,074	2,798
Share of profits of non-controlled subsidiaries and associates	139	160
Profit before taxation	14,762	11,519
Income tax	(2,590)	(1,880)
Profit for the year	12,172	9,639
Attributable to:		
– Equity shareholders of the Company	12,059	9,639
– Non-controlling interests	113	–
Profit for the year	12,172	9,639
Earnings per share:		
– Basic	HK\$2.10	HK\$1.69
– Diluted	HK\$2.10	HK\$1.69

The notes on pages 57 to 66 form part of these summary financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December in HK\$ million	2010	2009
Profit for the year	12,172	9,639
Other comprehensive income for the year (after taxation and reclassification adjustments):		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	141	(10)
– non-controlling interests	16	–
	157	(10)
Cash flow hedges: net movement in hedging reserve	(26)	102
Self-occupied land and buildings: net movement in fixed assets revaluation reserve	285	172
	416	264
Total comprehensive income for the year	12,588	9,903
Attributable to:		
– Equity shareholders of the Company	12,459	9,903
– Non-controlling interests	129	–
Total comprehensive income for the year	12,588	9,903

The notes on pages 57 to 66 form part of these summary financial statements.

Consolidated Balance Sheet

at 31 December in HK\$ million	2010	2009
Assets		
Fixed assets		
– Investment properties	45,314	40,993
– Other property, plant and equipment	77,276	77,844
– Service concession assets	21,467	19,351
	144,057	138,188
Property management rights	31	31
Railway construction in progress	–	–
Property development in progress	9,128	6,718
Deferred expenditure	1,079	558
Interests in non-controlled subsidiaries	541	490
Interests in associates	836	823
Deferred tax assets	9	12
Investments in securities	3,912	227
Staff housing loans	4	7
Properties held for sale	1,936	3,783
Derivative financial assets	375	370
Stores and spares	1,061	1,040
Debtors, deposits and payments in advance	3,057	2,428
Loan to a property developer	1,975	1,916
Amounts due from the Government and other related parties	330	12,788
Cash, bank balances and deposits	13,334	7,115
	181,665	176,494
Liabilities		
Bank overdrafts	16	21
Short-term loans	300	25
Creditors and accrued charges	15,491	20,497
Current taxation	1,018	430
Contract retentions	404	354
Amounts due to the Government and other related parties	892	923
Loans and other obligations	20,741	23,822
Obligations under service concession	10,749	10,625
Derivative financial liabilities	148	237
Loan from holders of non-controlling interests	154	136
Deferred income	605	167
Deferred tax liabilities	13,854	12,804
	64,372	70,041
Net assets	117,293	106,453
Capital and reserves		
Share capital, share premium and capital reserve	43,734	42,497
Other reserves	73,416	63,890
Total equity attributable to equity shareholders of the Company	117,150	106,387
Non-controlling interests	143	66
Total equity	117,293	106,453

Approved and authorised for issue by the Members of the Board on 3 March 2011

Raymond K F Ch'ien
C K Chow
Lincoln K K Leong

The notes on pages 57 to 66 form part of these summary financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December in HK\$ million	Other reserves						Total equity attributable to equity shareholders of the Company	Non-controlling interests	Total equity
	Share capital, share premium and capital reserve	Fixed assets revaluation reserve	Hedging reserve	Employee share-based capital reserve	Exchange reserve	Retained profits			
2010									
Balance as at 1 January 2010	42,497	1,132	(52)	52	53	62,705	106,387	66	106,453
Changes in equity for the year ended 31 December 2010:									
– Profit for the year	–	–	–	–	–	12,059	12,059	113	12,172
– Other comprehensive income	–	285	(26)	–	141	–	400	16	416
– Total comprehensive income	–	285	(26)	–	141	12,059	12,459	129	12,588
– 2009 final dividend	1,087	–	–	–	–	(2,177)	(1,090)	–	(1,090)
– 2010 interim dividend	81	–	–	–	–	(807)	(726)	–	(726)
– Dividend paid to holders of non-controlling interests	–	–	–	–	–	–	–	(52)	(52)
– Employee share-based payments	–	–	–	57	–	–	57	–	57
– Employee share options exercised	69	–	–	(6)	–	–	63	–	63
– Employee share options lapsed	–	–	–	(1)	–	1	–	–	–
Balance as at 31 December 2010	43,734	1,417	(78)	102	194	71,781	117,150	143	117,293
2009									
Balance as at 1 January 2009	41,119	960	(154)	25	63	55,788	97,801	21	97,822
Changes in equity for the year ended 31 December 2009:									
– Profit for the year	–	–	–	–	–	9,639	9,639	–	9,639
– Other comprehensive income	–	172	102	–	(10)	–	264	–	264
– Total comprehensive income	–	172	102	–	(10)	9,639	9,903	–	9,903
– 2008 final dividend	962	–	–	–	–	(1,925)	(963)	–	(963)
– 2009 interim dividend	399	–	–	–	–	(800)	(401)	–	(401)
– Employee share-based payments	–	–	–	32	–	–	32	–	32
– Employee share options exercised	17	–	–	(2)	–	–	15	–	15
– Employee share options lapsed	–	–	–	(3)	–	3	–	–	–
– Increase in non-controlling interests arising from shares issued by a subsidiary	–	–	–	–	–	–	–	45	45
Balance as at 31 December 2009	42,497	1,132	(52)	52	53	62,705	106,387	66	106,453

The notes on pages 57 to 66 form part of these summary financial statements.

Notes to the Summary Financial Statements

1 Statement of Compliance

These summary financial statements have been prepared from the audited accounts 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 2010.

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 that are first effective for the current accounting period of the Group and relevant to the Group's accounts:

- Revised HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards*
- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*
- HK(IFRIC) 17, *Distribution of non-cash assets to owners*
- HK(Int) 5, *Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause*
- Improvements to HKFRSs (2009)
- Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards – Additional exemptions for first-time adopters*
- Amendments to HKFRS 2, *Share-based payment – Group cash-settled share-based payment transactions*

The "Improvements to HKFRSs (2009)" comprises 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 amendment relating to HKAS 17, *Leases*, has impact on the Group's accounts. As a result of the amendment to HKAS 17, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that its interests in leasehold land, which are registered and located in the Hong Kong Special Administrative Region ("HKSAR") and subject to the HKSAR Government's land policy of renewal without payment of additional land premium, are no longer classified as operating leases. The Group's position in respect of its interests in leasehold land is economically similar to that of a purchaser and therefore such interests of leasehold land should be re-classified as finance leases. In accordance with the amendment to HKAS 17, this change in accounting policy has been applied retrospectively. Corresponding amounts of previous periods have been re-classified with the balance of prepaid land lease payments as at 31 December 2009 of HK\$554 million (1 January 2009: HK\$567 million) re-classified as other property, plant and equipment on the consolidated and the Company's balance sheets and the related amortisation for the year ended 31 December 2009 of HK\$13 million re-classified from other expenses to depreciation and amortisation in the consolidated profit and loss account.

Other HKFRS developments have no material impact on the Group's 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 HKSAR ("Government"), KCRC and the Company including the Service Concession Agreement, Property Package Agreements and Merger Framework Agreement. Key elements of the Rail Merger included 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 a variable annual payment 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;
- 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; and

Notes to the Summary Financial Statements

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

- Property Package Agreements and Merger Framework agreement setting out the acquisition of certain properties, property management rights and property development rights by the Company as well as the framework for the Rail Merger including the implementation of the Fare Adjustment Mechanism.

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
2010					
Members of the Board					
– Raymond Ch'ien Kuo-fung	1.2	–	–	–	1.2
– Vincent Cheng Hoi-chuen	0.3	–	–	–	0.3
– Christine Fang Meng-sang	0.3	–	–	–	0.3
– Edward Ho Sing-tin	0.4	–	–	–	0.4
– Alasdair George Morrison (appointed on 9 July 2010)	0.1	–	–	–	0.1
– 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
– Joseph Lai Yee-tak	0.3	–	–	–	0.3
Members of the Executive Directorate					
– Chow Chung-kong	–	6.8	–*	7.1	13.9
– Russell John Black (retired on 31 January 2010)	–	0.8	–*	0.1	0.9
– William Chan Fu-keung	–	4.7	0.2	1.9	6.8
– Chew Tai-chong (appointed on 1 February 2010)**	–	3.8	–*	1.6	5.4
– Thomas Ho Hang-kwong	–	4.5	0.2	1.9	6.6
– Lincoln Leong Kwok-kuen	–	5.0	0.8	2.0	7.8
– Andrew McCusker (retired on 31 December 2010)	–	4.6	0.2	1.8	6.6
– Leonard Bryan Turk	–	4.4	0.2	1.9	6.5
	4.2	34.6	1.6	18.3	58.7

* During the year ended 31 December 2010, the total contributions paid by the Company for C K Chow and T C Chew, who participated in the MTR MPF Scheme, were HK\$12,000 and HK\$7,000 respectively. The contribution paid by the Company for Russell J Black, who participated in the MTR Retirement Scheme, was HK\$17,484.

** T C Chew was appointed as Member of the Executive Directorate since 1 February 2010. The amount of the emoluments shown in the above table covered the period from 1 February 2010 to 31 December 2010.

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
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 (up to 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

* During the year ended 31 December 2009, the total contributions paid by the Company for C K Chow, who participated in the MTR MPF Scheme, were HK\$12,000.

Russell J Black and Andrew McCusker received a lump sum benefit payment of HK\$20.8 million and HK\$20.7 million respectively from the MTR Retirement Scheme upon their retirements in January 2010 and December 2010 respectively.

In addition, on 1 December 2009, C K Chow was paid HK\$11.3 million, representing his entitlement to receive an equivalent value in cash of 418,017 shares on completion of his three-year contract ended on 30 November 2009. On 12 April 2010, Lincoln K K Leong was paid HK\$4.6 million, representing the derivative interest granted to him on 12 April 2007 to receive an equivalent value in cash of 160,000 shares.

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.

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, 12 June 2009, 8 December 2009, 28 June 2010 and 16 December 2010. 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, 9 December 2009 and 17 December 2010, of which 554,000 options were vested in 2010 (2009: 397,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$2.5 million (2009: HK\$1.7 million);

Notes to the Summary Financial Statements

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 was granted options in respect of 170,000 shares each on 12 December 2007, 9 December 2008, 10 December 2009 and 17 December 2010, of which 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.7 million (2009: HK\$0.5 million);
- Leonard B Turk was granted options in respect of 170,000 shares each on 12 December 2007, 9 December 2008 and 10 December 2009 and 127,500 shares on 17 December 2010, of which 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.7 million (2009: HK\$0.5 million);
- 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 127,500 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.5 million (2009: HK\$0.4 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 and 127,500 shares on 17 December 2010, of which 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.8 million (2009: HK\$0.5 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 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.7 million (2009: HK\$0.5 million);
- William F K Chan was granted options in respect of 170,000 shares each on 13 December 2007, 9 December 2008, 10 December 2009 and 17 December 2010, of which 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.8 million (2009: HK\$0.5 million);
- Chew Tai-chong was granted options in respect of 85,000 shares on 18 June 2009 and 170,000 shares each on 10 December 2009 and 17 December 2010, of which 85,500 options were vested in 2010 (2009: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.5 million (2009: HK\$0.1 million); and
- Jacob Kam Chak-pui replaced Andrew McCusker, who retired from the Company on 31 December 2010, as a Member of the Executive Directorate with effect from 1 January 2011. Under the 2007 Option Scheme, Jacob C P Kam was granted options in respect of 75,000 shares on 13 December 2007, 65,000 shares each on 8 December 2008 and 14 December 2009, 50,000 shares on 21 July 2010 and 170,000 shares on 17 December 2010, of which 69,000 options were vested in 2010 (2009: 47,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.3 million (2009: HK\$0.2 million).

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 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 Securities and Futures Ordinance ("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 arrangement was offered to C K Chow 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\$70.5 million (2009: HK\$77.5 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 2010 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, 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 and T C Chew joined the Company on 1 December 2003, 1 February 2002 and 11 May 2009 respectively, and are not beneficiaries of the Pre-IPO Option Scheme. Andrew McCusker and Jacob C P Kam were granted options of 266,500 and 117,500 shares respectively on 20 September 2000 under the Pre-IPO Option Scheme and no additional share options were granted upon their appointments as Members of the Executive Directorate on 1 October 2005 and 1 January 2011 respectively.

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). The Pre-IPO Option Scheme expired on 11 September 2010.

(ii) New Joiners Share Option Scheme

Under the New Joiners Share Option Scheme (the "New Option Scheme"), Lincoln K K Leong, a Member of the Executive Directorate, was granted options to acquire 1,066,000 shares on 1 August 2003.

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).

(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, 2009 and 2010. C K Chow was granted options to acquire 720,000 shares in 2007 and 470,000 shares each in 2008, 2009 and 2010. William F K Chan and Lincoln K K Leong were each granted options to acquire 170,000 shares in each of 2007, 2008, 2009 and 2010. Thomas H K Ho and Leonard B Turk were each granted options to acquire 170,000 shares in each of 2007, 2008 and 2009 and 127,500 shares in 2010. Andrew McCusker was 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. T C Chew was granted options to acquire 85,000 shares in June 2009 and 170,000 shares each in December 2009 and 2010. Jacob C P Kam was granted options to acquire 75,000 shares in December 2007, 65,000 shares each in December 2008 and 2009, 50,000 shares in July 2010 and 170,000 shares in December 2010.

Under the vesting terms of the options granted in 2007, 2008, 2009 and 2010, options granted will be evenly vested in respect of their underlying shares over a period of three years from the date of offer to grant such options (note 3A(i)).

4 Segmental Information

The Group manages its businesses by the various business executive committees. 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:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) Railway subsidiaries outside of Hong Kong: The operation and maintenance of mass transit railway systems including station commercial activities in relation to the railway systems outside Hong Kong.
- (v) Property developments: Property development at locations relating to the railway system in Hong Kong.
- (vi) All others: Including operations relating to the Ngong Ping 360, railway consultancy services, rental and estate management services in the Mainland of China and share of profits of non-controlled subsidiaries and associates.

Notes to the Summary Financial Statements

4 Segmental Information (continued)

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

in HK\$ million	Turnover		Contribution to profit	
	2010	2009	2010	2009
Hong Kong railway operations	12,486	11,530	2,795	2,123
Hong Kong station commercial activities	3,018	2,741	2,525	2,329
Hong Kong property rental and management	2,845	2,633	2,285	2,010
Railway subsidiaries outside of Hong Kong	10,144	1,043	241	5
All others	1,025	850	122	262
	29,518	18,797	7,968	6,729
Property developments			4,034	3,554
			12,002	10,283
Project studies and business development expenses			(216)	(206)
Merger related expenses			–	(12)
Interest and finance charges			(1,237)	(1,504)
Change in fair value of investment properties			4,074	2,798
Share of profits of non-controlled subsidiaries and associates			139	160
Income tax			(2,590)	(1,880)
Profit for the year			12,172	9,639

in HK\$ million	Assets		Liabilities	
	2010	2009	2010	2009
Hong Kong railway operations	93,069	104,946	21,656	24,071
Hong Kong station commercial activities	1,685	2,087	1,098	982
Hong Kong property rental and management	45,894	41,498	1,195	1,048
Railway subsidiaries outside of Hong Kong	8,779	6,478	2,350	1,764
Property developments	13,728	13,246	1,925	4,721
All others	2,225	2,203	171	118
	165,380	170,458	28,395	32,704
Unallocated assets and liabilities	16,285	6,036	35,977	37,337
Total	181,665	176,494	64,372	70,041

Unallocated assets and liabilities mainly comprise cash, bank balances and deposits, derivative financial assets and liabilities, 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, property development in progress, deferred expenditure 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 and property development in progress; the location of the proposed capital project, in the case of deferred expenditure; 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	
	2010	2009	2010	2009
Hong Kong (place of domicile)	19,177	17,525	149,073	142,211
Australia	7,239	549	123	43
Mainland of China	175	148	6,268	4,390
Sweden	2,858	494	151	124
Other countries	69	81	57	40
	10,341	1,272	6,599	4,597
	29,518	18,797	155,672	146,808

5 Fixed Assets and Railway Construction in Progress

A Investment Properties

in HK\$ million	2010	2009
Cost or Valuation		
At 1 January	40,993	37,737
Additions	247	123
Disposal	–	(17)
Change in fair value	4,074	2,798
Reclassification from assets under construction (note 5B)	–	352
At 31 December	45,314	40,993
Long leases	1,589	1,591
Medium-term leases	43,725	39,402
	45,314	40,993

Notes to the Summary Financial Statements

5 Fixed Assets and Railway Construction in Progress (continued)

B Other Property, Plant and Equipment

in HK\$ million	Leasehold land	Self-occupied land and buildings	Civil works	Plant and equipment	Assets under construction	Total
2010						
Cost or Valuation						
At 1 January 2010	732	2,120	46,507	61,026	1,366	111,751
Additions	-	-	-	187	1,729	1,916
Capitalisation adjustments *	-	-	(9)	(2)	-	(11)
Disposals / write-offs	-	-	(1)	(360)	(19)	(380)
Surplus on revaluation	-	283	-	-	-	283
Reclassification within other property, plant and equipment	-	-	12	(31)	19	-
Transfer to additional concession property (note 5C)	-	-	-	(6)	(68)	(74)
Other assets commissioned	-	-	133	699	(832)	-
Exchange differences	-	-	-	21	2	23
At 31 December 2010	732	2,403	46,642	61,534	2,197	113,508
At Cost	732	-	46,642	61,534	2,197	111,105
At 31 December 2010 Valuation	-	2,403	-	-	-	2,403
Aggregate depreciation						
At 1 January 2010	178	-	5,008	28,721	-	33,907
Charge for the year	13	58	403	2,232	-	2,706
Written back on disposal	-	-	(1)	(324)	-	(325)
Written back on revaluation	-	(58)	-	-	-	(58)
Exchange differences	-	-	-	2	-	2
At 31 December 2010	191	-	5,410	30,631	-	36,232
Net book value at 31 December 2010	541	2,403	41,232	30,903	2,197	77,276
2009						
Cost or Valuation						
At 1 January 2009, as previously reported	-	1,965	46,359	59,473	1,400	109,197
Reclassification on adoption of the amendment to HKAS 17 (note 1)	732	-	-	-	-	732
At 1 January 2009, as reclassified	732	1,965	46,359	59,473	1,400	109,929
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	732	2,120	46,507	61,026	1,366	111,751
At Cost	732	-	46,507	61,026	1,366	109,631
At 31 December 2009 Valuation	-	2,120	-	-	-	2,120
Aggregate depreciation						
At 1 January 2009, as previously reported	-	-	4,612	26,781	-	31,393
Reclassification on adoption of the amendment to HKAS 17 (note 1)	165	-	-	-	-	165
At 1 January 2009, as reclassified	165	-	4,612	26,781	-	31,558
Charge for the year	13	51	399	2,177	-	2,640
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	178	-	5,008	28,721	-	33,907
Net book value at 31 December 2009	554	2,120	41,499	32,305	1,366	77,844

* Capitalisation adjustments relate to certain railway assets capitalised at the 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\$2,706 million (2009: HK\$2,640 million), comprising depreciation for the year of HK\$2,707 million (2009: HK\$2,640 million) less HK\$1 million (2009: nil) 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			
2010					
Cost					
At 1 January 2010	15,226	1,183	3,539	88	20,036
Net additions during the year	–	566	1,757	–	2,323
Disposal	–	(5)	–	–	(5)
Transfer from other property, plant and equipment (note 5B)	–	74	–	–	74
Exchange differences	–	–	133	3	136
At 31 December 2010	15,226	1,818	5,429	91	22,564
Accumulated amortisation					
At 1 January 2010	634	50	–	1	685
Charge for the year	305	95	2	12	414
Written-off on disposal	–	(3)	–	–	(3)
Exchange differences	–	–	–	1	1
At 31 December 2010	939	142	2	14	1,097
Net book value at 31 December 2010	14,287	1,676	5,427	77	21,467
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

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, 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%, the non-recoverable amount of net liabilities assumed from KCRC of HK\$226 million and merger-related expenses eligible for capitalisation of HK\$389 million. Additional concession property represents expenditures incurred in relation to the replacement and upgrade of the KCRC system.

Service concession assets in respect of Shenzhen Line 4 relate to the Build-Operate-Transfer project of Shenzhen Metro System Line 4 ("Shenzhen Line 4"). The cost of the service concession assets comprises the value of construction services provided in respect of the construction of Shenzhen Line 4 Phase 2 and the capitalised present value of the total annual lease payments for the operation of Shenzhen Line 4 Phase 1 of RMB132 million (HK\$151 million), calculated as the total annual lease payments of RMB319 million over the concession period discounted at the estimated long-term incremental borrowing rate at inception of 5.35%. The concession property is amortised and charged to the consolidated profit and loss account over the concession period starting from operation commencement.

Service concession assets in respect of Stockholm Metro relate 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.

Notes to the Summary Financial Statements

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
2010					
West Island Line Project					
Construction costs	891	–	3,064	–	3,955
Consultancy fees	364	–	66	–	430
Staff costs and other expenses	418	–	332	–	750
Finance costs/(interest income)	12	–	(70)	–	(58)
Utilisation of government funding support	(1,685)	–	(3,392)	–	(5,077)
Total	–	–	–	–	–
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 Project					
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)	–

6 Bonds and Notes Issued and Redeemed

Bonds and notes issued during the year ended 31 December 2010 and 2009 comprise:

in HK\$ million	2010		2009	
	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	–	–	500	500

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 2010, the Group redeemed HK\$1,100 million (2009: HK\$1,300 million) of its unlisted debt securities and US\$600 million (2009: US\$750 million) of its listed debt securities.

7 Other Information

These summary financial statements are only a summary of information in the Group's 2010 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 2010 Annual Report is available in electronic form on the Company's website at www.mtr.com.hk. A printed copy of the 2010 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 68 of this Summary Financial Report.

Report of the Independent Auditor on the Summary Financial Report

Report of the Independent Auditor on the Summary Financial Report to the Shareholders of MTR Corporation Limited

(Incorporated in Hong Kong with limited liability)

The summary financial report of MTR Corporation Limited (“the Company”) set out on pages 1 to 66 and the front and back cover pages, which comprises the consolidated balance sheet as at 31 December 2010, the consolidated profit and loss account, consolidated statement of comprehensive income and consolidated statement of changes in equity for the year then ended, and related notes, are derived from the audited consolidated accounts of the Company for the year ended 31 December 2010. We expressed an unmodified audit opinion on those consolidated accounts in our report dated 3 March 2011. Those consolidated accounts, and the summary financial report, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated accounts.

The summary financial report does not contain all the disclosures required by Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Reading the summary financial report, therefore, is not a substitute for reading the audited consolidated accounts of the Company.

Directors’ Responsibility for the Summary Financial Report

Under the Hong Kong Companies Ordinance, the directors are responsible for the preparation of a summary financial report in accordance with section 141CF(1) of the Hong Kong Companies Ordinance. In preparing the summary financial report, section 141CF(1) of the Hong Kong Companies Ordinance requires that the summary financial report be derived from the annual consolidated accounts and the auditor’s report thereon and the report of the Members of the Board for the year ended 31 December 2010, be in such form and contain such information and particulars as specified in section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and be approved by the board of directors.

Auditor’s Responsibility

Our responsibility is to express an opinion on the summary financial report based on our procedures, which were conducted in accordance with Hong Kong Standard on Auditing (HKSA) 810, “Engagements to Report on Summary Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants. We are also required to state whether the auditor’s report on the annual consolidated accounts for the year ended 31 December 2010 is qualified or otherwise modified.

Opinion

In our opinion, the summary financial report on pages 1 to 66 and the front and back cover pages:

(a) is consistent with the annual consolidated accounts and the auditor’s report thereon and the report of the Members of the Board of MTR Corporation Limited for the year ended 31 December 2010 from which it is derived; and

(b) complies with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
3 March 2011

Key Shareholder Information

Financial Calendar 2011

Announcement of 2010 annual results	3 March
Last day to register for 2010 final dividend	17 March
Book closure period	18 March to 24 March (both dates inclusive)
Annual General Meeting	6 May
2010 final dividend payment date	On or about 18 May
Announcement of 2011 interim results	August
2011 interim dividend payment date	October
Financial year end	31 December

Principal Place of Business and Registered Office

MTR Corporation Limited, incorporated and domiciled in Hong Kong MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong

Telephone: (852) 2993 2111

Facsimile: (852) 2798 8822

Share Information

Listing

MTR Corporation Limited's shares are listed on the Stock Exchange of Hong Kong. In addition, shares are traded in the United States through an American Depositary Receipt (ADR) Level 1 Programme sponsored by J.P. Morgan Chase Bank, N.A.

Ordinary Shares (as at 31 December 2010)

Shares outstanding	5,772,563,031 shares
Hong Kong SAR Government Shareholding	4,434,552,207 shares (76.8%)
Free float	1,338,010,824 shares (23.2%)

Nominal Value HK\$1 per share

Market Capitalisation (as at 31 December 2010) HK\$163,364 million

Dividend per Share

(in HK\$)

2009 Total Dividend	0.52
2010 Interim Dividend	0.14
2010 Final Dividend	0.45

ADR Level 1 Programme

ADR to Ordinary Shares Ratio	1:10
Depository Bank	J.P. Morgan Depository Receipts, 1 Chase Manhattan Plaza, Floor 58, New York, NY 10005, USA

Stock Codes

Ordinary Shares

The Stock Exchange of Hong Kong	66
Reuters	0066.HK
Bloomberg	66 HK

ADR Level 1 Programme MTRJY

Annual Report 2010

Shareholders can obtain copies of our annual report by writing to:

Computershare Hong Kong Investor Services Limited,
17M Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

If you are not a shareholder, please write to:

Corporate Relations Department, MTR Corporation Limited
MTR Headquarters Building, Telford Plaza, Kowloon Bay,
Kowloon, Hong Kong

Our annual/interim reports and accounts are also available online at our corporate website at <http://www.mtr.com.hk>

Shareholder Services

Any matters relating to your shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong

Telephone: (852) 2862 8628

Facsimile: (852) 2529 6087

Shareholder Enquiries

Our enquiry hotline is operational during normal office hours:

Telephone: (852) 2881 8888

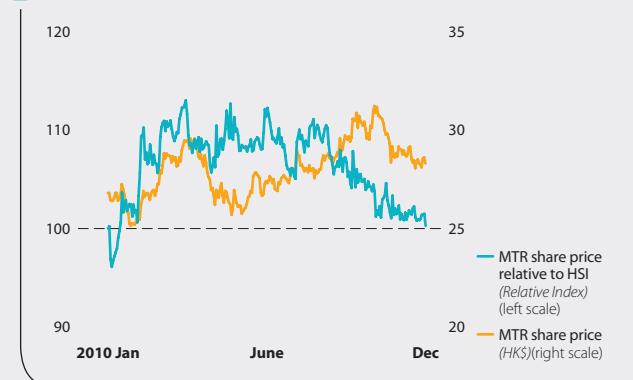
Investor Relations

For enquiries from institutional investors and securities analysts, please contact:

Investor Relations Department, MTR Corporation Limited
MTR Headquarters Building, Telford Plaza, Kowloon Bay,
Kowloon, Hong Kong

Email: investor@mtr.com.hk

Share Price Performance



Dividend Policy

Subject to the financial performance of the Company, the Company intends to follow a progressive dividend policy. We also expect to pay two dividends each financial year with interim and final dividends payable around October and May respectively.



MTR Corporation Limited

MTR Headquarters Building, Telford Plaza

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Facsimile : (852) 2798 8822

www.mtr.com.hk

Stock Code: 66