





EXPANSION
IN MOTION

664.5 km

total route length
of railway
operations
outside of
Hong Kong



*Shenzhen
Longhua*



full line
operation from
16 June 2011

Turnaround
in LOROL
leads to



*Top
Punctuality*

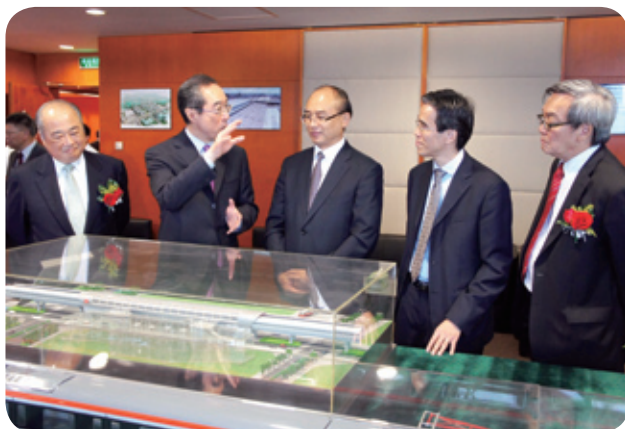
of all UK train operators



In recent years, the Company has been developing operational franchises in other markets in order to open up new paths for growth by leveraging the expertise it has gained over the decades in Hong Kong. These businesses are now beginning to contribute meaningfully to the Company's results, and our reputation is increasing in both the Mainland of China and overseas.

The Company's operating railway franchises in the Mainland of China comprise our 49% interest in Beijing MTR Corporation Limited (BJMTR), which operates Beijing Metro Line 4 (BJL4) and Daxing Line extension as an integrated service, and our wholly owned subsidiary MTR Corporation (Shenzhen) Limited (SZMTR), which operates the Shenzhen Metro Longhua Line (SZL4). Overseas, they consist of our 60% interest in Metro Trains Melbourne Pty. Ltd. (MTM) in Australia, our wholly owned subsidiary 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 for the year from our railway subsidiaries outside of Hong Kong, namely MTM, MTRS and SZMTR, was HK\$12,279 million, an increase of 21.0% over 2010 mainly due to favourable currency movements, additional project revenue generated from MTM and the opening of Phase 2 of SZL4. Operating costs were HK\$11,830 million, resulting in an 60.9% increase in operating profit to HK\$449 million and an operating profit margin of 3.7%. SZMTR and MTM both recorded financial performances in line with expectations, while MTRS was somewhat below expectation. 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 made a small operating loss. The operating profits of MTM and MTRS were HK\$400 million and HK\$55



The mayor of Shenzhen, Mr. Xu Qin (middle), attended the opening ceremony of SZL4 Phase 2

million respectively. BJMTR, which is accounted for as an associate, produced a better than forecast performance, with its contribution rising significantly. Among our other associates, the results from LOROL and TBT were in line with expectations. These three associates contributed a total of HK\$116 million in post-tax profit in 2011, an increase of HK\$94 million over 2010.

The total of passengers carried by our rail subsidiaries and associates outside of Hong Kong was approximately 1,065 million in 2011, against some 850 million in 2010.



In Beijing, BJL4 and the Daxing Line continued to exceed concession requirements

MAINLAND OF CHINA

Our operations in the Mainland of China made good progress during the year, with a new extension to our existing lines and the prospect of more projects being agreed in the near future.

In Beijing, BJL4 was joined by the Daxing Line extension on 30 December 2010, resulting in full year operation of the entire route for 2011. Both lines exceeded their performance and reliability targets. Total ridership for 2011 for the combined line was 377.4 million passenger trips, with average daily patronage of over 1 million.

BJL4 celebrated two years of operation on 28 September 2011. Over the period, total patronage has exceeded 530 million users, and the highest daily patronage recorded was 1.14 million. During the two years, the line has delivered a total of over 380,000 train trips, and the total mileage of train operations is over 80 million car kilometres. Throughout, the performance level has been good.

We continue actively to pursue further rail opportunities in the Chinese capital. During the Beijing Hong Kong Trade Fair, which was held in October 2011, a Memorandum of Understanding (MOU) was signed with Beijing Infrastructure Investment Co Ltd and Beijing Capital Group regarding further investment in and operation of new Beijing metro lines that are scheduled to become operational before 2015.

In Shenzhen, Phase 2 of SZL4 opened for service on 16 June 2011, bringing full line operation to our franchise in the southern Chinese city. Operational performance has been good, with average train service delivery and punctuality

EXECUTIVE MANAGEMENT'S REPORT

MAINLAND AND OVERSEAS GROWTH

rates of 99.92% and 99.66%, continuing to exceed concession requirements. Total ridership for 2011 was 60.5 million passenger trips, with a daily average of 255,300 after Phase 2 opening.

Our co-operation with the Shenzhen Municipality continues to bear fruit. On 18 August 2011, the Company's two wholly owned subsidiaries, SZMTR and MTR Property (Shenzhen) Co Ltd, won the bid for Phase 1 of the SZL4 Depot Site at a base tender price of approximately RMB2,000 million. The total developable gross floor area of the site is approximately 206,167 square metres. The two subsidiaries will incorporate a project company in the Mainland to undertake residential and commercial development on the site, being responsible for all development and construction costs. Part of the net profits generated from this property development will be shared with the Shenzhen Municipality to support metro development in Shenzhen. In addition, the investment feasibility study for Shenzhen Metro Line 6 continues in accordance with the MOU signed in July 2010.

We reached an agreement with Hangzhou Metro Group Limited in 2010 to establish a joint venture, whereby MTR Corporation holds 49% and Hangzhou Metro Group Limited holds 51%, to operate Hangzhou Metro Line 1. We continue to await approval of the project by the National Development and Reform Commission. Pre-operational activities including recruitment and training have been underway since the second half of 2011 and the line is expected to open towards the end of 2012.

OVERSEAS

In our overseas markets, our investment in upgrading equipment and improving management has resulted in further gains in operating performance.

In the UK, the operations of LOROL benefitted from the opening in February 2011 of Phase 1a of the East London Line, a short link connecting East and North London Lines. LOROL's excellent delivery meant that in April 2011 it became one of the UK's top performing franchise train operating companies on an annualised basis. LOROL achieved a public performance measure of 97.0% in the period between 21 August and 17 September 2011, while for the year, moving annual average was 95.85%, exceeding the 12-month target from 1 April 2011 to 31 March 2012 of 94.0%. The operation also improved its scores significantly in the UK's 2011 Autumn National Passenger Survey, achieving an overall satisfaction score of 92%, 7% higher than the previous survey in Autumn 2010, and 9% higher than average scores recorded for London and the South East of England.

At the UK's National Rail Awards 2011, the joint achievements of Transport for London and LOROL in successfully transforming the London Overground service were recognised with the prestigious Special Judges Award.

In Stockholm, MTRS operations have continued to show improvements in a number of areas. The year 2011 experienced extreme weather conditions, with exceptionally heavy snowfalls. Despite this, punctuality figures improved from 93.5% in 2010 to 94.4%, with an overall all-time high in

CORPORATE RESPONSIBILITY HIGHLIGHT

ENGAGING AND BUILDING COMMUNITIES

Our aim is not just to care about the journeys of our passengers, but to enhance their life's journey as they travel on our network through bringing life and culture into our stations.

In 2011, we brought this concept to the Shenzhen Metro Longhua Line with live performances, and displays of artwork by professional artists and young children, many of which were integrated into the station architecture at the design stage.





In Stockholm, MTRS operations have shown improved train availability and punctuality

June of 98%. Train availability also improved from 94% in 2010 to 99.8% in 2011, and customers experienced both a much cleaner metro environment than ever before and improved traffic information.

In Melbourne, operational issues and challenges, combined with adverse wet weather during February 2011, severely

impacted operational performance. Introduction of the first phase of a new timetable and the lifting of speed restrictions on certain trains have resulted in improvements in train punctuality whilst maintaining service delivery from May 2011 onward, with full year figures of 87.13% and 98.60% respectively.

MAINLAND OF CHINA AND OVERSEAS RAILWAY BUSINESSES AT A GLANCE

	In Operation						Pending Finalisation of Agreement
	Beijing Metro Line 4 (BJL4), Mainland of China	Daxing Line of BJL4, Mainland of China	Shenzhen Metro Longhua Line, Mainland of China	London Overground, United Kingdom	Stockholm Metro, Sweden	Melbourne Metro, Australia	Hangzhou Metro Line 1, Mainland [#] of China
MTR Corporation Shareholding	49%	49%	100%	50%	100%	60%	49%
Business Model	Public-Private-Partnership (PPP)	O&M Concession	Build-Operate-Transfer (BOT) [^]	Operations and Maintenance (O&M) Concession	O&M Concession*	O&M Concession	PPP
Commencement of Franchise/Expected date of commencement of operation	Sep 2009	Dec 2010	Phase 1: Jul 2010 Phase 2: Jun 2011	Nov 2007	Nov 2009	Nov 2009	2012
Franchise/Concession Period	30 Years	10 Years	30 Years	7 Years	8 Years	8 Years	25 Years
Number of Stations	24	11	Phase 1: 5 Phase 2: 10	55	100	212	31
Routh length (km)	28	22	Phase 1: 4.5 Phase 2: 16	112	110	372	48

[#] The Concession Agreement with Hangzhou Municipal Government is subject to approval by relevant authorities in the Mainland of China.

[^] Shenzhen Metro Longhua Line Phase 1 assets are owned by the Shenzhen Municipal Government and MTR Corporation (Shenzhen) Ltd took over the operation of Phase 1 in Jul 2010.

* Rolling stock maintenance under a 50:50 joint venture between MTR Stockholm and Mantena AS.