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Dear Shareholders and other Stakeholders,

I am pleased to report to you the interim results of MTR Corporation for the six months ended 30 June 2010, which show the Company's continued strong momentum.

Good financial performance in the period was aided by the recovery in the economy. Our recurrent businesses benefited from good patronage growth and strong results in both our station retail and property rental businesses, as well as a decent upturn in the economically sensitive advertising business. Our property development business recorded strong results, mainly from profits relating to Le Prestige at LOHAS Park as well as the disposal of unsold units of The Palazzo and Lake Silver. The first half of 2010 also incorporated the results of three Mainland of China and international franchises, namely Beijing Metro Line 4, Stockholm Metro and Melbourne Metropolitan Train.

Financial Results

We achieved good financial results for the half year, with revenue rising by 63.4% to HK\$14,102 million, mainly due to the continued recovery in the Hong Kong economy and expansion outside Hong Kong. Excluding the change in fair value of investment properties and the related deferred tax, net profit from underlying businesses attributable to equity shareholders increased by 46.6% to HK\$5,720 million. Including investment property revaluation, our net profit attributable to equity shareholders was HK\$6,639 million and earnings per share were HK\$1.16. Your Board has declared an interim dividend of HK\$0.14 per share.



Growth Strategy

The five new railway projects currently under design or construction in Hong Kong will extend our services to new districts and further integrate our network into that of the Mainland of China, including the rapidly expanding high speed rail network. This will underpin the competitiveness of Hong Kong, bring economic benefits to communities along the new railway lines and contribute to Government's efforts to improve the environment. We are making good progress in the construction of the West Island Line and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. The South Island Line (East), the Kwun Tong Line Extension and the Shatin to Central Link are in various stages of detailed design.

In the Mainland of China, we took over Phase 1 of Shenzhen Metro Line 4 on 1 July 2010, with Phase 2, which is in the advanced stages of construction, expected to commence operation in mid 2011. Beijing Metro Line 4 (BJL4) began passenger service in September 2009. An extension of BJL4, the Daxing Line, will be operated by our BJL4 Public-Private-Partnership (PPP) Company and will commence operations towards the end of this year. Our latest Mainland venture is the PPP project for the investment in, construction and operations of the Hangzhou Metro Line 1. We hold a 49% interest in the venture, which is in the process of securing Government approvals.

Sustainability and Corporate Responsibility

Sustainable development, which the Brundtland Commission defined as the ability to "meet the needs of the present without compromising the ability of future generations to meet their own needs", has for many years been at the heart of how we develop and manage our businesses.

The issues raised by sustainable development determine how we engage with our own staff, as well as our contractors, suppliers, and other stakeholders. Sustainable development extends to a concern for the well-being of the communities that we serve, including those outside Hong Kong. Our growth as a company therefore relies critically on our commitment to striving for the highest standards of corporate responsibility locally as well as internationally.

To this end, for the past 10 years, we have measured how we perform with respect to sustainability and reported this in a separate sustainability report. We apply the internationally recognised Global Reporting Initiative's GRI G3 Sustainability Reporting Guidelines and the AA1000 AccountAbility Principles of inclusivity, materiality and responsiveness in our sustainability reporting. We have commissioned PricewaterhouseCoopers Hong Kong to give an independent assurance report on selected quantitative data in the report.

In 2006, we issued a Climate Change Policy to guide our work in managing carbon emissions, not just in relation to our railway operations, but also our capital works projects and property management and development. We continue to make every

effort to reduce energy consumption. For example, the electricity consumption per revenue car-km has been reduced from 5.94 kWh in 2005 to 4.86 kWh in 2009, a reduction of 18%. This has been achieved through various energy saving initiatives, such as replacement of motor-alternators with static inverters for our trains, and optimisation of station environmental control systems. In February 2010, we began the tendering process for a programme to install LED lighting in all 136 trains on the Kwun Tong, Tsuen Wan, Island, Tseung Kwan O and Tung Chung lines as well as the Airport Express. Since June 2010, two light poles powered by wind and solar energy have been installed on Finance Street near Two IFC to provide additional street level illumination at night time.

We are proud to be named in the "Sustainability Yearbook 2010", the world's most comprehensive publication on corporate sustainability performance, as the most sustainable company in the global travel and tourism industry. The Company was also the only Hong Kong company to make the "Global 100" list of the world's 100 most sustainable companies. Although not directly related to sustainability, the Company also won five top honours including "Hong Kong's Best Managed Company" in the annual Finance Asia awards this year.

We remain a constituent stock in the Dow Jones Sustainability World Index (DJSI World), Dow Jones Sustainability Asia Pacific Index (DJSI Asia/Pacific) and the FTSE4Good Index. In July 2010, MTR Corporation was selected as a constituent of the Hang Seng Corporate Sustainability Index – the first index of its kind in Hong Kong.

Community Initiatives

We fully recognise the interrelationship between our growth as a company and the well-being of the communities we serve. We have benefited from the full-scale community engagement programme we introduced for the planning and design of the West Island Line. We are now drawing on this experience to enhance the way we engage with the community on our other new projects, such as the Shatin to Central Link and the South Island Line (East).

Culture and heritage are among the most important aspects of community life and we have numerous programmes in place to support them. In the first half of 2010, our long running "art in mtr – art in station architecture" programme saw two artists from the Mainland of China add to the art made available to the public in our railway network. The young artist Feng Shu's artwork "Post Period of Insects" was installed in Tai Wai Station, while Jiang Shu's "Bauhinia Rider", symbolising Hong Kong's rise from fishing village to global financial centre, was installed in Lok Ma Chau Station.

To remind passengers of Hong Kong's past, one station in each of the 17 districts of Hong Kong was selected for the display of historic photographs of these districts. The photographs were contributed by members of the public, companies and other organisations as part of our continuing History Alive programme.

Highlights of photographs from all 17 districts were put on display in Choi Hung Station. More permanent photographic displays for the new West Island Line will come from the "Our Memories of Western District Photographic Competition", which is part of the "MTR West Island Line Community Art Programme", a joint venture with the Central and Western District Council.

We continue to encourage our colleagues to take part in community service. During these first six months of the year, there were 90 volunteering community service projects under our "More Time Reaching Community" scheme involving over 1,700 volunteers.

The young and the elderly are a particular focus of our outreach programme. To help students broaden their horizons and equip them with useful life skills, a new community initiative "Friend for life's journeys" has been launched, in which 100 young staff members paired up with 100 secondary school students to act as their mentors. For the elderly, we launched the "Elderly Ambassadors" programme in February this year where Elderly Ambassadors, aged between 55 and 65, were recruited to provide assistance and show care to passengers in stations, especially the elderly. The initial trial at Sham Shui Po Station has been successful and the programme has been extended to Mei Foo Station, serving another district of Hong Kong with a relatively high proportion of elderly people.

In April 2010, the sixth MTR HONG KONG Race Walking event was held in Central and over HK\$1.13 million was raised for the Hospital Authority's Health InfoWorld to support its work on disease prevention and health education.

Conclusion

To grow our businesses in a way that is sustainable requires above all a common commitment to our mission and values. Sound governance and a management team capable of bringing out the best in our more than 20,000 capable staff is what generates the results that earn the trust of staff, customers, shareholders and other stakeholders. I would like to thank my fellow directors, our staff and all our stakeholders for their enduring support as we move 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.



Dr. Raymond Ch'ien Kuo-fung, *Chairman*
Hong Kong, 12 August 2010