MTR CORPORATION LIMITED

香港鐵路有限公司

(the "Company")

(Incorporated in Hong Kong with limited liability)

(Stock code: 66)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

HIGHLIGHTS

Financial

- Including the recently acquired overseas railway franchises in Stockholm and Melbourne, revenue grew 6.6% to HK$18,797 million and EBITDA increased 1.9% to HK$9,502 million
- EBITDA margin, excluding railway franchises outside of Hong Kong, increased by 0.6 percentage point to 53.5%
- Property development profit of HK$3,554 million
- Profit from underlying businesses (i.e. net profit attributable to equity shareholders, excluding investment property revaluation and related deferred tax) of HK$7,303 million
- Net profit attributable to equity shareholders, including investment property revaluation, of HK$9,639 million
- Net assets increased 8.8% to HK$106,453 million
- Net debt/equity ratio improved to 25.8%
- Final dividend of HK$0.38 per share recommended by the Board, resulting in total dividend for the year of HK$0.52 per share, representing an 8.3% increase

Operational

- LOHAS Park Station and Kowloon Southern Link with new Austin Station opened for passenger service on 26 July and 16 August 2009 respectively
- Beijing Metro Line 4 commenced services on 28 September 2009
- Stockholm and Melbourne railway franchises taken over on 2 and 30 November 2009 respectively
- Total patronage of the Hong Kong passenger services increased by 1.4% to 1,507 million
- Successful sales of Lake Silver at Wu Kai Sha and Le Prestige at LOHAS Park
- Property tender for Austin Station sites C and D awarded
- West Island Line Project Agreement and Express Rail Link Entrustment Agreement signed
- Concession agreements for Shenzhen Metro Line 4, Shenyang Metro Lines 1 and 2, Beijing Daxing Line and Hangzhou Metro Line 1 signed

The Directors of the Company are pleased to announce the audited results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2009 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT (HK$ MILLION)

	Year ended 31 December	
	2009	2008
Hong Kong fare revenue	**11,498**	11,467
Station commercial and rail related revenue	**3,328**	3,449
Rental, management and other revenue	**2,928**	2,712
Railway franchise revenue outside of Hong Kong	**1,043**	-
Other net income	**-**	-
	18,797	17,628
Staff costs and related expenses	**(3,387)**	(3,358)
Energy and utilities	**(1,020)**	(1,020)
Operational rent and rates	**(183)**	(179)
Stores and spares consumed	**(403)**	(411)
Repairs and maintenance	**(915)**	(856)
Railway support services	**(127)**	(121)
Expenses relating to station commercial and rail related businesses	**(632)**	(822)
Expenses relating to property ownership, management and other businesses	**(866)**	(785)
Expenses relating to railway franchise operations outside of Hong Kong	**(1,035)**	-
Project study and business development expenses	**(206)**	(198)
General and administration expenses	**(329)**	(342)
Other expenses	**(192)**	(211)
Operating expenses before depreciation and amortisation	**(9,295)**	(8,303)
Operating profit from railway and related businesses before depreciation and amortisation	**9,502**	9,325
Profit on property developments	**3,554**	4,670
Operating profit before depreciation and amortisation	**13,056**	13,995
Depreciation and amortisation	**(2,979)**	(2,930)
Merger related expenses	**(12)**	(53)
Operating profit before interest and finance charges	**10,065**	11,012
Interest and finance charges	**(1,504)**	(1,998)
Change in fair value of investment properties	**2,798**	(146)
Share of profits of non-controlled subsidiaries and associates	**160**	159
Profit before taxation	**11,519**	9,027
Income tax	**(1,880)**	(747)
Profit for the year	**9,639**	8,280

	Year ended 31 December	
	2009	2008
Attributable to:		
- Equity shareholders of the Company	**9,639**	8,284
- Minority interests	**-**	(4)
Profit for the year	**9,639**	8,280
Earnings per share:		
- Basic	**HK$1.69**	HK$1.47
- Diluted	**HK$1.69**	HK$1.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK$ MILLION)

	Year ended 31 December	
	2009	2008
Profit for the year	**9,639**	8,280
Other comprehensive income for the year (after taxation and reclassification adjustments):		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries	**(10)**	21
- minority interests	**-**	2
	(10)	23
Cash flow hedges: net movement in hedging reserve	**102**	(129)
Self-occupied land and buildings:		
- Net movement in fixed assets revaluation reserve	**172**	(210)
- Net movement in retained profits	**-**	42
	264	(274)
Total comprehensive income for the year	**9,903**	8,006
Attributable to:		
- Equity shareholders of the Company	**9,903**	8,008
- Minority interests	**-**	(2)
Total comprehensive income for the year	**9,903**	8,006

CONSOLIDATED BALANCE SHEET (HK$ MILLION)

	As at 31 December 2009	As at 31 December 2008
Assets		
Fixed assets		
- Investment properties	**40,993**	37,737
- Other property, plant and equipment	**77,290**	77,804
- Service concession assets	**19,351**	15,463
	137,634	131,004

	As at 31 December 2009	As at 31 December 2008
Assets		
Property management rights	**31**	35
Railway construction in progress	**-**	658
Property development in progress	**6,718**	7,895
Deferred expenditure	**558**	1,988
Prepaid land lease payments	**554**	567
Interests in non-controlled subsidiaries	**490**	381
Interests in associates	**823**	743
Deferred tax assets	**12**	11
Investments in securities	**227**	471
Staff housing loans	**7**	10
Properties held for sale	**3,783**	2,228
Derivative financial assets	**370**	528
Stores and spares	**1,040**	690
Debtors, deposits and payments in advance	**2,428**	7,190
Loan to a property developer	**1,916**	3,720
Amounts due from the Government and other related parties	**12,788**	426
Cash and cash equivalents	**7,115**	793
	176,494	159,338
Liabilities		
Bank overdrafts	**21**	59
Short-term loans	**25**	1,646
Creditors and accrued charges	**20,497**	5,334
Current taxation	**430**	450
Contract retentions	**354**	224
Amounts due to the Government and a related party	**923**	882
Loans and other obligations	**23,822**	29,584
Obligations under service concession	**10,625**	10,656
Derivative financial liabilities	**237**	305
Loan from minority shareholders of a subsidiary	**136**	-
Deferred income	**167**	156
Deferred tax liabilities	**12,804**	12,220
	70,041	61,516
Net assets	**106,453**	97,822
Capital and reserves		
Share capital, share premium and capital reserve	**42,497**	41,119
Other reserves	**63,890**	56,682
Total equity attributable to equity shareholders of the Company	**106,387**	97,801
Minority interests	**66**	21
Total equity	**106,453**	97,822

Notes: -

1. AUDITOR'S REPORT

The results for the year ended 31 December 2009 have been audited in accordance with Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), by KPMG whose unmodified audit report is included in the annual report to be sent to shareholders. The results have also been reviewed by the Group's Audit Committee.

2. BASIS OF PREPARATION

These consolidated accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the HKICPA. The accounting policies adopted in the preparation of these accounts are consistent with those used in the 2008 annual accounts except for changes in accounting policies, if required, in adopting the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") or new interpretations ("HK(IFRIC)s"):

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

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

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

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

3. RETAINED PROFITS

The movements of the retained profits during the year ended 31 December 2009 and the year ended 31 December 2008 were as follows:

HK$ Million	2009	2008
Balance as at 1 January	**55,788**	49,992
Profit for the year attributable to equity shareholders of the Company	**9,639**	8,284
Release of revaluation reserve on disposal, net of deferred tax	**-**	42
Employee share options lapsed	**3**	-
Dividends declared or approved	**(2,725)**	(2,530)
Balance as at 31 December	**62,705**	55,788

4. PROFIT ON PROPERTY DEVELOPMENTS

	Year ended 31 December	
HK$ Million	2009	2008
Profit on property developments comprises:		
Transfer from deferred income on		
- upfront payments	**16**	139
- sharing in kind	**1**	61
Share of surplus from development	**3,497**	4,505
Income recognised from sharing in kind	**72**	-
Other overhead costs	**(32)**	(35)
	3,554	4,670

5. INCOME TAX

	Year ended 31 December	
HK$ Million	2009	2008
Current tax		
- Provision for Hong Kong Profits Tax for the year	**1,347**	1,021
- Overseas tax for the year	**4**	3
	1,351	1,024
Deferred tax		
- Origination and reversal of temporary differences on		
- change in fair value of investment properties	**462**	(24)
- disposal of investment properties	**(2)**	-
- (provision) / utilisation of tax losses	**(6)**	532
- others	**75**	(81)
	529	427
- Effect on deferred tax balances resulting from a change in tax rate	**-**	(704)
	529	(277)
Income tax in the consolidated profit and loss accounts	**1,880**	747
Share of income tax of non-controlled subsidiaries	**16**	16
Share of income tax of associates	**8**	9

Current tax provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year after deducting accumulated tax losses brought forward, if any. Current tax for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Provision for deferred tax on temporary differences arising in Hong Kong is calculated at the Hong Kong Profits Tax rate at 16.5% (2008: 16.5%).

6. DIVIDEND

The Board has recommended to pay a final dividend of HK$0.38 per share. The Company proposes that a scrip dividend option will be offered to all shareholders except shareholders with registered addresses in the United States of America or any of its territories or possessions. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be distributed on or about 15 June 2010 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 9 April 2010. Going forward, subject to the financial conditions of the Company, the Board intends to follow a progressive dividend policy.

The Company's majority shareholder, The Financial Secretary Incorporated, has agreed that for dividends declared in respect of the financial years ended 31 December 2009, it will elect to receive all or part of its entitlement to dividends in the form of shares under any scrip dividend election to be offered by the Company to its shareholders to the extent necessary to ensure that a maximum of 50% of the total dividend paid by the Company in respect of the relevant financial year will be paid in the form of cash. This arrangement will expire after the payment of any dividend in respect of the financial year ended 31 December 2009.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year ended 31 December 2009 attributable to equity shareholders of HK$9,639 million (2008: HK$8,284 million) and the weighted average number of ordinary shares of 5,691,839,821 in issue during the year (2008: 5,632,895,671).

The calculation of diluted earnings per share is based on the profit for the year ended 31 December 2009 attributable to equity shareholders of HK$9,639 million (2008: HK$8,284 million) and the weighted average number of ordinary shares of 5,697,441,733 in issue during the year (2008: 5,636,941,336) after adjusting for the number of dilutive potential ordinary shares under the employee share option schemes.

Both basic and diluted earnings per share would have been HK$1.28 (2008: HK$1.45) if the calculation is based on profit from underlying businesses attributable to equity shareholders, i.e. excluding change in fair value of investment properties net of related deferred tax.

8. 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.

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

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

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

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

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

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

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

	Turnover Year ended 31 December		Contribution to profit Year ended 31 December	
HK$ Million	**2009**	2008	**2009**	2008
Hong Kong railway operations	**11,530**	11,504	**2,123**	2,183
Hong Kong station commercial activities	**2,741**	2,894	**2,329**	2,475
Hong Kong property rental and management	**2,633**	2,432	**2,010**	1,889
Railway franchises outside of Hong Kong	**1,043**	-	**5**	-
All others	**850**	798	**262**	46
	18,797	17,628	**6,729**	6,593
Property developments			**3,554**	4,670
			10,283	11,263
Project studies and business development expenses			**(206)**	(198)
Merger related expenses			**(12)**	(53)
Interest and finance charges			**(1,504)**	(1,998)
Change in fair value of investment properties			**2,798**	(146)
Share of profits of non-controlled subsidiaries and associates			**160**	159
Income tax			**(1,880)**	(747)
			9,639	8,280

HK$ Million	Assets Year ended 31 December **2009**	2008	Liabilities Year ended 31 December **2009**	2008
Hong Kong railway operations	**102,826**	91,653	**24,071**	13,215
Hong Kong station commercial activities	**2,087**	1,161	**982**	926
Hong Kong property rental and management	**41,498**	38,309	**1,048**	1,027
Railway franchises outside of Hong Kong	**6,478**	2,812	**1,764**	286
Property developments	**13,246**	20,107	**4,721**	1,626
All others	**2,203**	2,367	**118**	176
	168,338	156,409	**32,704**	17,256
Unallocated assets and liabilities	**8,156**	2,929	**37,337**	44,260
Total	**176,494**	159,338	**70,041**	61,516

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

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

HK$ Million	Revenue from external customers Year ended 31 December **2009**	2008	Specified non-current assets Year ended 31 December **2009**	2008
Hong Kong (place of domicile)	**17,525**	17,367	**142,211**	140,790
Australia	**549**	3	**43**	-
Mainland of China	**148**	161	**4,390**	2,456
Sweden	**494**	-	**124**	-
Other countries	**81**	97	**40**	25
	18,797	17,628	**146,808**	143,271

9. DEBTORS AND CREDITORS

A The Group's debtors, deposits and payments in advance amounted to HK$2,428 million (2008: HK$7,190 million), out of which HK$805 million (2008: HK$5,818 million) relates to property development which are mainly due according to the terms of relevant development agreements or sale and purchase agreements; and HK$845 million (2008: HK$598 million) receivable from rentals, advertising and telecommunication activities with due dates ranging from immediately due to 50 days, swap interest receivable from debt portfolio management activities due in accordance with the respective terms of the agreements, and amounts receivable from consultancy services income due within 30 days. As at 31 December 2009, HK$236 million (2008: HK$197 million) were overdue out of which HK$27 million (2008: HK$49 million) were overdue by more than 30 days.

B Creditors and accrued charges amounted to HK$20,497 million (2008: HK$5,334 million) including HK$10,967 million (2008: nil) of un-utilised government funding support for the West Island Line. The majority of the other creditors and accrued charges related to capital projects to be settled upon certification of work in progress and swap interest payable as well as advanced receipt of deposits from property purchasers before issuance of occupation permit. The Group has no significant balances of trade creditors resulting from its provision of transportation services. As at 31 December 2009, HK$5,005 million (2008: HK$1,188 million) were amounts either due within 30 days or on demand, and the remaining were amounts not yet due.

10. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company redeemed its US$750 million global notes on 4 February 2009. Prior to redemption, the notes were listed on the Hong Kong Stock Exchange and Luxembourg Stock Exchange.

Apart from the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Group's other listed securities during the year ended 31 December 2009.

11. CHARGE ON GROUP ASSETS

As at 31 December 2009, certain assets held by MTR Corporation (Shenzhen) Limited, an indirect wholly owned subsidiary of the Company, in the Mainland of China were pledged as security for a RMB4,000 million bank loan facility granted to it.

Apart from the above, none of the other assets of the Group was charged or subject to any encumbrance as at 31 December 2009.

12. ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 27 May 2010. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about 22 April 2010.

13. CORPORATE GOVERNANCE

As at 31 December 2009, the Company has *fully* complied with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year ended 31 December 2009, the Company has complied with the Code Provisions except as described below. Regarding the Code Provision A.4.1 which requires non-executive directors to be appointed for a specific term subject to re-election, the Company already reported in the 2008 Annual Report that as there were nine Directors (i.e. excluding those appointed pursuant to Section 8 of the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong)) subject to retirement by rotation and one-third of them should retire at each annual general meeting of the Company (subject to re-election by the shareholders) in accordance with Articles 87 and 88 of the Company's Articles of Association, each of these Directors was effectively appointed for a term of approximately three years.

In 2009 and to further enhance good corporate governance practices, in the light of Code Provision A.4.1, the Company entered into 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)) (save for those appointed pursuant to Section 8 mentioned above) 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.

As disclosed in the Company's 2008 Annual Report (page 102), and the 2009 Interim Report (page 20), an alternate director has reported in writing to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") that in January 2009, due to an oversight, he and his spouse disposed of an aggregate of 2,084 shares in the Company without having first notified in writing the Chairman of the Company and received a dated written acknowledgement from the Chairman in accordance with the Model Code on Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. The report was made shortly after the dealings. He had also given the Company and the Stock Exchange a written confirmation that he did not possess any unpublished price sensitive information of the Company at the time of the dealings.

14. PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's websites at www.mtr.com.hk and the website of the Stock Exchange. The Annual Report will also be available at the Company's and the Stock Exchange's websites around late April 2010 and will be despatched to shareholders of the Company in late April 2010.

KEY STATISTICS

	Year ended 31 December	
	2009	2008
Total passenger boardings (in millions)		
- Domestic Service	**1,218.8**	1,205.4
- Cross-boundary Service	**94.0**	93.4
- Airport Express	**9.9**	10.6
- Light Rail	**143.5**	137.7
Average number of passengers (in thousands)		
- Domestic Service (weekday)	**3,544**	3,514
- Cross-boundary Service (daily)	**257.6**	255.2
- Airport Express (daily)	**27.0**	29.0
- Light Rail (weekday)	**402.1**	385.1
Operating profit from railway and related businesses before depreciation and amortisation as a percentage of turnover (EBITDA margin)		
- Excluding railway franchises outside of Hong Kong	**53.5%**	52.9%
- Including railway franchises outside of Hong Kong	**50.6%**	52.9%

MANAGEMENT REVIEW AND OUTLOOK

I am pleased to report that 2009 was another successful year for MTR Corporation. Despite challenging economic conditions and the threat posed by human swine influenza, our recurrent businesses, comprising passenger transport services, station commercial and rail related businesses along with property rental and management, registered satisfactory performance while our property development business also achieved good results. The growth of our businesses in Hong Kong and overseas accelerated, with new milestones achieved.

Good progress was made during the year on the five new Hong Kong rail projects, which, together with the opening of both the Kowloon Southern Link and the final phase of the Tseung Kwan O Line, represent a new chapter in the Company's history. Through this extensive network expansion, we are building connections throughout Hong Kong and to the Mainland of China that will both strengthen the Company's growth opportunities and enhance connectivity for our customers.

In the Mainland of China, we signed Concession Agreements for the Shenzhen Metro Line 4 (SZL4) Build-Operate-Transfer (BOT) project in March 2009 and for the operation and maintenance of Shenyang Metro Lines 1 and 2 in May 2009. On 28 September 2009, our Public-Private-Partnership (PPP) project, Beijing Metro Line 4 (BJL4), opened for passenger service in the capital city. We were honoured that President Hu Jintao travelled on the line to personally experience the service. On 30 December 2009, our joint venture company Beijing MTR Corporation Limited signed a Concession Agreement for the operation and maintenance of the Daxing Line, an extension of BJL4. On 4 March 2010, our subsidiary, MTR Hangzhou Line 1 Investment Company Limited, together with a subsidiary of Hangzhou Metro Group Company Limited, entered into a Concession Agreement with Hangzhou Municipal Government under a PPP project for the investment, construction and operations of the Hangzhou Metro Line 1. The Concession Agreement is subject to approval by relevant authorities in the Mainland.

Overseas, our wholly-owned subsidiary in Sweden commenced operation of the Stockholm Metro on 2 November 2009, while our 60% owned subsidiary, Metro Trains Melbourne (MTM), took over the operation of the Melbourne metropolitan train network in Australia on 30 November 2009.

The Company's results in 2009 reflected the defensive nature of our recurrent businesses. Revenue, which now includes revenue from our new overseas concessions, increased by 6.6% to HK$18,797 million while operating profit from railway and related businesses before depreciation and amortisation increased by 1.9% to HK$9,502 million. Excluding our overseas rail subsidiaries, revenues increased by 0.7%, operating profit increased by 1.8% and operating margin improved by 0.6 percentage point to 53.5%. Property development profit was HK$3,554 million compared to HK$4,670 million in 2008. The 2009 property development profit came mainly from final profit recognition relating to The Harbourside at Kowloon Station, recognition of profit from Lake Silver as well as additional profit recognition from The Capitol and The Palazzo. Excluding investment properties revaluation and the related deferred tax, net profit from underlying businesses attributable to equity shareholders decreased by 10.8% to HK$7,303 million due to lower property development profit and the one-off reduction in deferred tax balances as a result of the reduction in Hong Kong Profits Tax rate in 2008. Gain in revaluation of investment properties was HK$2,798 million pre-tax (HK$2,336 million post-tax) compared with a property revaluation deficit of HK$146 million pre-tax in 2008. Therefore, net profit attributable to equity shareholders was HK$9,639 million, an increase of 16.4% from 2008, with reported earnings per share of HK$1.28 before investment property revaluation and HK$1.69 after such revaluation. Your Board has recommended a final dividend of HK$0.38 per share, bringing the full year dividend to HK$0.52 per share, an increase of 8.3% compared with the previous year.

Operational Review

Hong Kong Passenger Services

Our Hong Kong fare revenue, including both rail and bus passenger services, was HK$11,498 million in 2009, an increase of 0.3% over 2008.

Patronage

In 2009, total patronage for all of our rail and bus passenger services in Hong Kong increased by 1.4% to 1,506.6 million as compared to last year.

Our Domestic Service, comprising the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma

On Shan lines, recorded total patronage of 1,218.8 million. This represents an increase of 1.1% when compared with patronage in 2008, partly due to the opening of the LOHAS Park Station on 26 July 2009 and Kowloon Southern Link on 16 August 2009. Average weekday patronage for the Domestic Service in 2009 was 3.5 million, which represents an increase of 0.9% over 2008.

For the Cross-boundary Service at Lo Wu and Lok Ma Chau, patronage was 94.0 million in 2009, representing an increase of 0.7% compared to 2008.

Passengers using the Airport Express in 2009 fell by 6.9% to 9.9 million when compared with 2008, mainly due to a marked reduction in air travel as a result of the impact of human swine influenza and the economic downturn.

Passenger volume on Light Rail, Bus and Intercity was 183.9 million in 2009, an increase of 4.7% compared with 2008. Overall, average weekday patronage on the Hong Kong rail and bus passenger services was 4.3 million in 2009.

Market Share

Our overall share of the franchised public transport market in Hong Kong rose to 42.6% in 2009 as compared to 42.0% last year. Within this total, our share of cross-harbour traffic increased to 64.0% from 63.4% whilst our market share in the Cross-boundary business declined to 55.3% from 56.2% due to increased competition.

Fare Revenue

Of total Hong Kong fare revenue of HK$11,498 million in 2009, Domestic Service revenue accounted for HK$7,986 million, an increase of 0.7%. Average fare per passenger on our Domestic Service decreased by 0.4% to HK$6.55 due to the full year impact of extending student half fares to the East Rail, West Rail and Ma On Shan lines in September 2008.

Fare revenue of the Cross-Boundary Service was HK$2,327 million in 2009, which represents an increase of 1.9% when compared with 2008. Fare revenue of the Airport Express was HK$617 million in 2009, which represents a decrease of 8.3% over 2008.

In our Cross-boundary Service, average fare per passenger was HK$24.75 in 2009, an increase of 1.2% when compared with 2008. Average fare per passenger for the Airport Express decreased by 1.6% to HK$62.48 mainly due to changes in passenger mix.

The first application of the Fare Adjustment Mechanism took place in July 2009. In accordance with the agreed methodology, the calculated fare increase of 0.7%, based on the change in Composite Consumer Price Index and Transport Wage Index in 2008, was below the trigger point for a fare adjustment of ±1.5%. Hence fares were not changed and the 0.7% will be carried forward to the fare adjustment calculation in 2010.

Attracting Patronage

During a year of slow economic activities, we continued to offer attractive promotions to stimulate patronage growth. Fare promotions included the provision of 28 fare saver machines offering discounts to attract more passengers, a Lucky Draw for Octopus users, discount flat fares for senior citizens on special days, MTR shop discounts, and a series of offers under the MTR Club Bonus Points Scheme. Several campaigns were also launched to increase ridership on the Cross-boundary Service, as well as discounted rides on the Airport Express. To further meet passenger demand following the opening of the Kowloon Southern Link, the first two of 22 new Light Rail vehicles began service in December. Also, refurbishment of the interior of all Airport Express trains was completed by the middle of the year. To further improve passenger service, at least one wide gate was installed at every East Rail Line station (except Racecourse Station). Passengers also enjoyed enhanced connectivity to our network with new pedestrian links at four other stations.

Service and Performance

We continue to exceed both the minimum performance levels as stipulated in the Operating Agreement and our own more stringent Customer Service Pledges. Train service delivery, passenger journeys on time and train punctuality were at 99.7% level or above.

Our devotion to service excellence was once again reflected in the winning of a wide array of prestigious awards, including the Gold Award in The Hong Kong Association for Customer Service Excellence Limited's "Customer Service Excellence Award – Grand Award 2008". The effectiveness of our marketing efforts was recognised with our Rail Merger campaign winning the Gold Prize in the HKMA/TVB Awards for Marketing Excellence 2009.

Station Commercial and Rail Related Businesses

Revenue from our station commercial and rail related businesses in 2009 was HK$3,328 million representing a decrease of 3.5% over 2008 due mainly to lower advertising revenue as well as a one-off receipt in 2008 from an operator on termination of a telecommunications license which was not repeated in 2009. Excluding this one-off impact, revenue would have decreased by 1.0%.

Station retail revenue in 2009 was HK$1,605 million, 3.8% above the previous year. This improvement was largely due to expanded new retail areas, new rental contracts being awarded at higher rents, and the repartition and renovation of shop areas in the Airport Express, Tung Chung Line and East Rail Line stations. Renovation of 80 shops was completed during the period at 13 stations and 23 new retailers were also added. The total number of station shops at the end of 2009 was 1,228 with total retail area of 52,788 square metres.

Advertising revenue in 2009 was HK$597 million representing a decrease of 19.4% when compared with 2008. The main cause of this reduction was a marked reduction in advertising spending due to the economic downturn. To address the challenge, more aggressive sales packages and incentive schemes to advertisers were launched. A series of new advertising formats were also introduced in our system including a Digital Panel Network of plasma televisions installed at ten strategic stations in the first half of the year. In total, there are now 20,742 advertising points in our stations, 26,823 in trains (including 4,545 Liquid Crystal Displays) and 67 exhibition and display sites in 42 stations.

Revenue from our telecommunications services in 2009 was HK$273 million representing a reduction of 23.3% due to the one-off receipt in 2008 mentioned above. Excluding this one-off receipt in 2008, revenue from this business would have increased by 1.1%. In March 2009, an advanced 2G/3G mobile network was launched by one of Hong Kong's leading telecom operators, offering passengers high data transmission speed of up to 21Mbps in our railway system. In August 2009, 3G mobile phone coverage was fully enabled along all West Rail Line stations. In addition, 43 new contracts were concluded during the year for the renting of our railway premises' rooftops to house Mobile Phone, Global Positioning Systems and Microwave Antennae.

Revenue from external consultancy was HK$159 million during 2009, an increase of 0.6% when compared with 2008, with consultancy projects in Hong Kong, the Mainland of China, Thailand, Taiwan, Dubai, Delhi and Brazil.

Property and Other Businesses

In the beginning of 2009, the Hong Kong property market saw some consolidation. However, as confidence improved and with low interest rates, market sentiment returned by mid year and property activities rose.

Property Development

Profit from property development for 2009 was HK$3,554 million, with major contributors being final profit recognition relating to The Harbourside at Kowloon Station, additional profit bookings from The Palazzo and The Capitol, as well as surplus proceeds from Lake Silver at Wu Kai Sha Station.

As reported in our interim results, pre-sales of Lake Silver at Wu Kai Sha were launched in May 2009. Over 90% of the 2,169 units are now sold and the Occupation Permit was obtained in July 2009.

All 1,688 units of Le Prestige of LOHAS Park Package Two were sold by August 2009 with the Occupation Permit being issued on 29 January 2010. Pre-sales were also launched for Le Prime, also at LOHAS Park Package Two, in November 2009 with good results. We do not have any financial interest in Le Prime. In September, we sold all the units which we received as final profit sharing with the developer at The Harbourside in Kowloon Station.

Pre-sales will commence shortly for Phase 1 of Festival City in Tai Wai Maintenance Centre.

Along the Airport Railway, the sale of the town house development which is the last phase of Caribbean Coast shall commence shortly. In February 2009, unit sales were launched for The Cullinan. We have no financial interests in The Cullinan.

In our property tendering activity, we successfully awarded Austin Station Sites C and D to Fast New Limited, a consortium formed by New World Development Company Limited and Wheelock Properties Limited, on 2 March 2010. In this development, we will be contributing approximately HK$3.9 billion as part of the land premium for the sites.

Property Rental, Property Management and Other Businesses

Total revenue from property rental, property management and other businesses in 2009 was HK$2,928 million, an increase of 8.0% over 2008.

Our property rental income increased by 8.6% to HK$2,548 million, due mainly to the addition of another 988 square metres of space at Elements in November 2008 as well as an average increase on rental reversion of 7% across our retail shopping mall portfolio. At the end of December 2009, we maintained close to 100% occupancy of our shopping malls and the Company's 18 floors at Two International Finance Centre were fully leased out.

Elements, our premium shopping mall in Hong Kong, won the 2009 Distinguished Market Leadership Award and Award for Marketing Excellence from the Hong Kong Management Association. Elements continued to receive international recognition by winning the GOLD Direct Market Lotus Award in the Asia-Pacific Advertising Festival (AdFest) and an Official Honouree distinction in the 13th Annual Webby Awards while Telford Plaza's "Sichuan Relief Programme" won the Silver Award in the Community Relations Category of the 2009 Asia Shopping Centres Awards organised by the International Council of Shopping Centres (ICSC).

Ginza Mall in Beijing, with 18,720 square metres of lettable floor area, continues to raise the bar for service and quality standards in the capital city. Amongst the awards and honours received in its second full year of operation was an Outstanding Contribution Award for the 60th National Anniversary Celebration sponsored by the Beijing Dongcheng District People's Government Dongzhimen Jiedao Office.

At the end of December 2009, the Company's attributable share of Hong Kong investment properties included lettable floor area of 223,047 square metres of retail properties, 41,059 square metres of offices and 10,402 square metres of real estate for other usage.

Property management revenue in 2009 was HK$207 million with the number of residential units under our management increasing to 79,449 as at the end of December, whilst commercial space under management was 742,414 square metres.

Octopus

Octopus continued its expansion in the retail sector by recruiting more small to medium-sized retail merchants. By the end of December, there were over 3,000 service providers in Hong Kong which utilised Octopus payment service. Cards in circulation were 20.6 million and average daily transaction volume and value were 10.9 million and HK$97.6 million respectively. The Company's share of Octopus' net profit for 2009 was HK$149 million, an increase of 9.6% from 2008.

Ngong Ping 360

The Ngong Ping cable car and associated theme village on Lantau Island generated HK$173 million of revenue in 2009, a 10.9% increase over 2008 despite the decline in tourist arrivals in Hong Kong. As a result of a series of innovative promotions, visitor numbers exceeded 1.4 million. In April 2009, Ngong Ping 360 launched the Crystal Cabins, the world's first cable car cabins to be fitted with a full-width transparent floor, which was met with enthusiastic responses. For the Mid-Autumn Festival on 3 October, Ngong Ping 360 introduced its first-ever night service.

Future Growth

Hong Kong

The Kowloon Southern Link with the new Austin Station opened for service on 16 August 2009, strategically connecting the existing East Rail Line with the West Rail Line at Hung Hom Station.

The final phase of the Tseung Kwan O Line was completed with the opening of LOHAS Park Station on 26 July 2009 to coincide with occupancy of The Capitol at LOHAS Park. The opening marked the full completion of the Tseung Kwan O Line, enabling a growing young community to benefit from railway service.

The West Island Line, a 3-km extension of our Island Line from Sheung Wan to Kennedy Town, is a "Community Railway" incorporating significant input from local district residents. It contains many features that preserve local heritage and provide urban renewal opportunities. On 13 July 2009, the Project Agreement was signed between the Company and Government and construction commenced shortly afterwards. The line is targeted to open in 2014, reducing travelling time from Kennedy Town to Sheung Wan to only eight minutes, and from Kennedy Town to Tsim Sha Tsui to fourteen minutes.

The planning and design of other new railway projects made good progress. The South Island Line (East) was gazetted under the Railways Ordinance on 24 July 2009, and further public consultations began in September in advance of Government authorisation of the scheme.

Preliminary design of the Kwun Tong Line Extension was completed in June 2009, with gazettal and commencement of detailed design following in November and December respectively. The 3-km Kwun Tong Line Extension will run from the existing Yau Ma Tei Station of the Kwun Tong Line to Whampoa via Ho Man Tin, which will be an interchange station with the East West Corridor of the Shatin to Central Link.

The Express Rail Link (Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link) was authorised by the Government on 20 October 2009. The 26-km Express Rail Link will provide high speed cross-boundary rail services connecting Hong Kong to Shenzhen, Guangzhou and the 16,000-km new high speed intercity rail network in the Mainland of

China. Following funding approval on 16 January 2010, construction commenced in the same month. The Express Rail Link is expected to start service in 2015 and the Government has agreed to invite the Company to operate this service on a concessionary basis.

The preliminary design of the Shatin to Central Link was completed in 2009. This rail project comprises two sections. The 11-km East West Corridor will extend the Ma On Shan Line from Tai Wai, via Diamond Hill, to Hung Hom where it will connect with the West Rail Line. The 6-km North South Corridor will form Hong Kong's fourth rail harbour crossing, extending the East Rail Line from Hung Hom to Hong Kong Island.

Hong Kong Project Funding

The funding model for these new rail projects will take different forms, each appropriately designed for the project. For the West Island Line, which will use the capital grant model, we received the initial part of this grant of HK$400 million in February 2008 with the balance of HK$12,252 million to be received in the first quarter of 2010.

The South Island Line (East) and the Kwun Tong Line Extension will likely follow the Company's traditional "Rail and Property" approach.

The Service Concession model used successfully in the Rail Merger was adopted for Kowloon Southern Link and will be adopted for the Shatin to Central Link and the Express Rail Link. On 26 January 2010 we signed an Entrustment Agreement with Government entrusting MTR Corporation with the construction of the Express Rail Link. The Company will act as the project manager in the construction phase and the Government will invite the Company to operate the railway after its completion. Operational requirements relating to the Express Rail Link are still under discussion with the Government and entities from the Mainland of China. For the Shatin to Central Link, we continue with further planning and design work funded by Government under an Entrustment Agreement signed in November 2008. Funding arrangements for the construction of this system will be subject to future agreement with Government.

Mainland and Overseas Growth

The Company's growth strategy in the Mainland of China and overseas achieved a number of milestones during the year. Railway franchise revenue outside of Hong Kong was HK$1,043 million derived from the Stockholm and Melbourne rail concessions after we took over their operations in November 2009. Operating costs for these two franchises were HK$1,035 million, with a resultant operating profit margin of 0.8% in line with our expectations for the early months after take-over. The business model for operation and maintenance franchises such as those of the Stockholm and Melbourne train systems generally requires little capital investment. However, due to the size of their businesses, they have significant revenue and operation costs. Their operating margins are therefore generally lower than other rail projects that require investment. BJL4 (which started service on 28 September 2009), London Overground Rail Operations Ltd (LOROL) and the 50% owned rolling stock maintenance company in Sweden are accounted for as associates, and contributed a total of HK$11 million post-tax profit (HK$19 million pre-tax) in 2009. Our share of the profits of LOROL was HK$17 million and BJL4 made a loss of HK$5 million. The BJL4 loss is expected as investment projects of this nature, with relatively large depreciation and interest cost, will take a few years to achieve profit.

Mainland of China

In Beijing, BJL4 was successfully opened on 28 September 2009. The investment and construction of the line was undertaken by Beijing MTR Corporation Limited, a joint venture comprising MTR Corporation (49%), Beijing Infrastructure Investment Co. Ltd. (2%) and Beijing Capital Group (49%). Initial reaction from the Beijing public and media on the train service, station design and customer service was positive and patronage has been very encouraging.

On 30 December 2009, Beijing MTR Corporation Limited signed a Concession Agreement with Beijing Metro Daxing Line Investment Company Limited, a wholly owned subsidiary of Beijing Municipal Government, for the operation and maintenance of the Daxing Line, a 22-km extension of BJL4 to the district of Daxing.

In Shenzhen, good progress has been made following the signing of the Concession Agreement for SZL4 BOT project in March 2009. Our takeover of the operations of Phase 1 of SZL4, which is 4.5 km long, is expected to occur in mid 2010. Full line operations, including Phase 2, are expected to commence in the middle of 2011.

Our discussions with the Shenyang Municipal Government on the operation and maintenance of Shenyang Metro Lines 1 and 2 resulted in the signing of a Concession Agreement in May 2009. A management team for the joint venture has been established, and preparation works and training are now underway.

On 4 March 2010, our subsidiary, MTR Hangzhou Line 1 Investment Company Limited, together with a subsidiary of Hangzhou Metro Group Company Limited, entered into a Concession Agreement with Hangzhou Municipal Government for a PPP project for the investment, construction and operations of the Hangzhou Metro Line 1 for a term of 25 years. The Concession Agreement is subject to approval by relevant authorities in the Mainland.

The PPP project will be undertaken by a Joint Venture Company in which MTR Corporation has an effective interest of 49% with the balance owned by a subsidiary of the Hangzhou Metro Group Company Limited.

The 48-km Hangzhou Metro Line 1 project is divided into Part A and Part B, representing approximately 63% and 37% respectively of the total investment of approximately RMB22 billion. Part A involves the civil construction of the project which is being undertaken by Hangzhou Metro Group Company Limited, whilst Part B, which covers the electrical and mechanical system and rolling stock, will be provided by the Joint Venture Company. The Joint Venture Company will be funded by a combination of debt and equity with MTR Corporation's equity investment being approximately RMB2.2 billion.

Civil construction work commenced in March 2007 and the line is expected to open in 2012.

Overseas

In the UK, our 50:50 joint venture, LOROL, continues to meet targets and to introduce service improvements to the London Overground following takeover of the concession in November 2007.

In Sweden, on 21 January 2009 our wholly-owned subsidiary was selected as the operator of the Stockholm Metro system under an eight-year concession and we took over operation of the concession on 2 November 2009. For the maintenance of the rolling stock, we formed a 50:50 joint venture company, Tunnelbanan Teknik Stockholm AB (TBT), with Mantena AS, a rolling stock maintainer in Norway. Operational performance has been good, and plans are in place to further improve performance.

Both London Overground and Stockholm Metro provided good service to passengers despite the exceptionally heavy snow falls experienced in Europe in January 2010.

In Australia, our 60% owned subsidiary MTM, comprising MTR Corporation (60%), John Holland Melbourne Rail Franchise Pty Ltd (20%) and United Group Rail Services Ltd (20%), signed an agreement with the State of Victoria on 31 August 2009 for the operation and maintenance of the Melbourne metropolitan train network for an initial period of eight years and MTM took over the operation of the concession on 30 November 2009.

Financial Review

Total Hong Kong fare revenue from our rail and bus passenger services increased marginally by 0.3% to HK$11,498 million while non-fare revenue, comprising station commercial and rail related businesses as well as rental, management and other revenue, increased by 1.5% to HK$6,256 million. Hence, total revenue before accounting for the railway franchise revenue outside of Hong Kong, Stockholm and Melbourne rail concessions, both of which started towards the end of the year, increased by 0.7% to HK$17,754 million. Including the revenues from the two franchises of HK$1,043 million, total revenue in 2009 increased by 6.6% to HK$18,797 million. Total operating costs increased by 11.9% to HK$9,295 million due mainly to the operating costs of the two international railway franchises, excluding which total operating costs would have decreased by 0.5%. Operating profit from railway and related businesses before depreciation and amortisation increased by 1.9% to HK$9,502 million (an increase of 1.8% to HK$9,494 million if the international franchises are excluded). Excluding the international franchises, operating margin would have increased by 0.6 percentage point from 52.9% to 53.5% and, including the lower margin international franchises, operating margin would be 50.6%.

Owing to the different timing of profit bookings, property development profit decreased by 23.9% to HK$3,554 million. Operating profit before depreciation and amortisation therefore decreased by 6.7% to HK$13,056 million. Depreciation and amortisation increased by 1.7% to HK$2,979 million with additional depreciation on the newly opened LOHAS Park Station while the remaining expenses for merger integration were HK$12 million. Interest and finance charges decreased by 24.7% to HK$1,504 million, reflecting the decrease in average cost of borrowing and reduced level of debt outstanding. Including the non-cash revaluation gains on investment properties of HK$2,798 million as well as the share of profits from Octopus Holdings Limited, LOROL, BJL4 and TBT totalling HK$160 million, profit before taxation in 2009 increased by 27.6% to HK$11,519 million. Income tax increased by 151.7% to HK$1,880 million mainly due to the one-off reduction in deferred tax balances resulting from the reduction in Hong Kong Profits Tax rate from 17.5% to 16.5% in 2008. Net profit attributable to shareholders of the Company in 2009 therefore increased by 16.4% to HK$9,639 million, or HK$1.69 per share as compared with HK$1.47 per share in 2008.

Excluding investment property revaluation, the more representative net profit from underlying business attributable to shareholders of the Company decreased by 10.8% to HK$7,303 million, or HK$1.28 per share as compared with HK$1.45 in 2008, primarily due to the reduction in property development profit and the prior year reduction in corporate tax rate.

The Group's balance sheet further strengthened with an 8.8% increase in net assets to HK$106,453 million as at the end of 2009. Total assets increased from HK$159,338 million to HK$176,494 million mainly attributable to the funding support receivable from the Government for the West Island Line, investment property revaluation gains as well as further investment in SZL4. Total liabilities increased from HK$61,516 million to HK$70,041 million mainly due to the un-utilised funding support for the West Island Line set off against a reduction in debt. Including obligations under the service concession and loan from minority shareholders of a subsidiary as components of debt, the Group's net debt-to-equity ratio improved from 42.1% at 2008 year end to 25.8% at 2009 year end.

During the year, the Group generated substantial cash inflow. Although cash inflow from operating activities (excluding property development) after tax payments decreased by 9.1% to HK$8,107 million as a result of higher cash tax paid following the full-utilisation of cumulative tax losses in 2008, cash received in respect of property development was substantial at HK$13,784 million, including HK$2,000 million of scheduled loan repayment from a property developer. Including the net cash receipts in respect of non-controlled subsidiaries and associates, the net sale of investment in securities as well as fixed asset disposal, total cash inflow generated in 2009 amounted to HK$22,344 million. After netting off total cash outflows of HK$8,690 million mainly for capital projects, property developments, settlement of the fixed annual payment to KCRC (Kowloon-Canton Railway Corporation) as well as interest and dividend payments, net cash inflow of HK$13,654 million was generated, of which HK$7,294 million was used to reduce debt.

The Board has recommended a final dividend of HK$0.38 per share, which, when added to the interim dividend of HK$0.14, will give a total dividend of HK$0.52 per share for the year, representing an increase of HK$0.04 or 8.3% as compared to last year. Our financial year ended 31 December 2009 marks the last year in which the Financial Secretary Incorporated has agreed to receive its entitlement to dividends in the form of shares to the extent necessary to ensure that a maximum of 50% of the Company's total dividend will be paid in cash. Going forward, subject to the financial conditions of the Company, the Board intends to follow a progressive dividend policy.

Human Resources

As the Company continues to grow, our ability to employ, retain and motivate staff to meet our strategic ambition has become more important than ever.

Throughout the year, a carefully developed human resources plan was rolled out to meet the increase in manpower requirements for the new extensions in Hong Kong and our growth business beyond Hong Kong. At the same time, we strengthened our training and development programmes to develop future leaders who can take the Company to its next stage of development.

Although we have implemented vigorous cost control programmes in a year of economic recession, we continued to provide a stable employment environment for all of our colleagues and we continued with our annual intake programme of graduate trainees from Hong Kong, the Mainland of China and overseas universities.

Outlook

Although economic conditions are improving, recovery may be slow and there remains the risk of further volatility in the global economy.

In Hong Kong, improvements in the economy and the full year impact of the Kowloon Southern Link and the LOHAS Park Station should benefit rail patronage. Rail fare review will be conducted in June 2010 in accordance with the Fare Adjustment Mechanism.

Our advertising business should benefit from economic recovery whilst our station retail and property rental businesses will be subject to market rates at the time of rental renewals and reversions.

2010 will see the full year impact of a number of our businesses in the Mainland of China and overseas which commenced operations in 2009. We will also take over the operation of Phase 1 of SZL4. As indicated previously, the investment projects generally take a few years from commencement of operation to break even. Hence, we expect BJL4 and SZL4 to show small losses in 2010.

Though significant in revenue terms, operating margins of operation and maintenance franchises are lower as they do not require much investment. Hence on a consolidated basis, we would expect these businesses to contribute to operating profit but will also result in lower operating margins for MTR Corporation in 2010 as a result of the full year impact of these businesses. However, continual efficiency enhancement and patronage improvements should allow us to maintain healthy margins in our Hong Kong recurrent businesses.

In our property development business, the Occupation Permit for Le Prestige at LOHAS Park Package Two was issued in January 2010 allowing for booking of profit in 2010. We do not have any financial interests in the remaining phases of LOHAS Park Package Two, including Le Prime. Also in Tseung Kwan O, we would expect to receive the Occupation Permit for the small retail shopping mall in Area 56 in the second half of 2010 and since it is a 'sharing in kind' project, we would book profit based on our share of that mall on receipt of such permit.

Pre-sales will commence shortly for Phase 1 of Tai Wai Maintenance Centre. However, as I have noted previously, we do not expect to book any profit on this development until 2011.

In our property tendering activities, following the successful award of the property tender for Austin Station sites C and D in March 2010, depending on market conditions, we will tender Nam Cheong Station site and LOHAS Park Package 4 over the next six months. The Nam Cheong Station site is a West Rail Property Development site where we only act as agent.

Finally, I take this opportunity to thank my fellow directors and all my colleagues for their dedication, energy and hard work in the past year. They are the heroes of MTR.

By Order of the Board
C K Chow
Chief Executive Officer

Hong Kong, 9 March 2010

The financial information relating to the financial year ended 31 December 2009 set out above does not constitute the Group's statutory consolidated accounts for the year ended 31 December 2009, but is derived and represents an extract from those consolidated accounts. Statutory consolidated accounts for the year ended 31 December 2009, which contain an unqualified auditor's report, will be delivered to the Registrar of Companies.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 30 March 2010 to 9 April 2010 (both dates inclusive). In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 29 March 2010. It is expected that the final dividend will be paid on or about 15 June 2010.

Members of the Executive Directorate: Chow Chung-kong, William Chan Fu-keung, Chew Tai Chong, Thomas Ho Hang-kwong, Lincoln Leong Kwok-kuen, Andrew McCusker and Leonard Bryan Turk

* *independent non-executive Directors*
** *non-executive Directors*

This announcement is made in English and Chinese. In case of any inconsistency, the English version shall prevail.