MTR CORPORATION LIMITED
香港鐵路有限公司

(Incorporated in Hong Kong with limited liability)
(Stock code: 66)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

HIGHLIGHTS

Financial

- Financial results resilient despite economic downturn, with revenue increasing 1.2% to HK$8,630 million and EBITDA increasing marginally to HK$4,799 million
- Property development profit of HK$2,147 million
- Profit from underlying businesses (i.e. net profit attributable to equity shareholders, excluding investment property revaluation and related deferred tax) increased 43% to HK$3,903 million
- Net profit attributable to equity shareholders (including investment property revaluation) of HK$4,498 million
- Net debt/equity ratio improved to 37.0%
- Interim dividend maintained at HK$0.14 per share

Operational

- Merger synergies ahead of schedule and on track to achieve HK$450 million per year within 2009
- Patronage of Domestic Service increased 0.3%; Cross-boundary and Airport Express decreased 0.4% and 11.5% respectively
- About 85% of the 2,169 units of Lake Silver have been sold while all 1,688 units of Phase A of Le Prestige have been sold
- Project Agreement signed for West Island Line
- Concession Agreements signed for Shenzhen Metro Line 4 as well as Shenyang Metro Lines 1 and 2
- Won tender for the Stockholm Metro franchise
- Selected as Preferred Bidder for Melbourne Train franchise
- LOHAS Park Station in Tseung Kwan O opened on 26 July 2009
- Kowloon Southern Link to open on 16 August 2009

The Directors of MTR Corporation Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the half year ended 30 June 2009 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT (HK$ MILLION)

	Half year ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Fare revenue	**5,527**	5,592
Station commercial and rail related revenue	**1,653**	1,645
Rental, management and other revenue	**1,450**	1,290
Turnover	**8,630**	8,527
Staff costs and related expenses	**(1,614)**	(1,536)
Energy and utilities	**(461)**	(473)
Operational rent and rates	**(91)**	(89)
Stores and spares consumed	**(184)**	(167)
Repairs and maintenance	**(403)**	(359)
Railway support services	**(60)**	(57)
Expenses relating to station commercial and rail related businesses	**(340)**	(388)
Expenses relating to property ownership, management and other businesses	**(369)**	(340)
Project study and business development expenses	**(95)**	(87)
General and administration expenses	**(126)**	(139)
Other expenses	**(88)**	(96)
Operating expenses before depreciation and amortisation	**(3,831)**	(3,731)
Operating profit from railway and related businesses before depreciation and amortisation	**4,799**	4,796
Profit on property developments	**2,147**	348
Operating profit before depreciation and amortisation	**6,946**	5,144
Depreciation and amortisation	**(1,464)**	(1,517)
Merger related expenses	**(7)**	(24)
Operating profit before interest and finance charges	**5,475**	3,603
Interest and finance charges	**(854)**	(1,078)
Change in fair value of investment properties	**712**	2,080
Share of profits of non-controlled subsidiaries and associates	**74**	91
Profit before taxation	**5,407**	4,696
Income tax	**(910)**	(8)
Profit for the period	**4,497**	4,688

	Half year ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Attributable to:		
- Equity shareholders of the Company	**4,498**	4,689
- Minority interests	**(1)**	(1)
Profit for the period	**4,497**	4,688
Earnings per share:		
- Basic	**HK$0.79**	HK$0.83
- Diluted	**HK$0.79**	HK$0.83

CONSOLIDATED BALANCE SHEET (HK$ MILLION)

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Assets		
Fixed assets		
- Investment properties	**38,894**	37,737
- Other property, plant and equipment	**76,834**	77,804
- Service concession assets	**17,401**	15,463
	133,129	131,004
Property management rights	**33**	35
Railway construction in progress	**706**	658
Property development in progress	**8,052**	7,895
Deferred expenditure	**581**	1,988
Prepaid land lease payments	**560**	567
Interests in non-controlled subsidiaries	**409**	381
Interests in associates	**805**	743
Deferred tax assets	**14**	11
Investments in securities	**225**	471
Staff housing loans	**9**	10
Properties held for sale	**2,932**	2,228
Derivative financial assets	**383**	528
Stores and spares	**837**	690
Debtors, deposits and payments in advance	**5,800**	7,190
Loan to a property developer	**3,816**	3,720
Amounts due from the Government and other related parties	**420**	426
Cash and cash equivalents	**997**	793
	159,708	159,338

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Liabilities		
Bank overdrafts	**35**	59
Short-term loans	**1,401**	1,646
Creditors, accrued charges and provisions	**4,470**	5,334
Current taxation	**1,037**	450
Contract retentions	**217**	224
Amounts due to the Government and a related party	**1,297**	882
Loans and other obligations	**26,444**	29,584
Obligations under service concession	**10,641**	10,656
Derivative financial liabilities	**265**	305
Deferred income	**132**	156
Deferred tax liabilities	**12,360**	12,220
	58,299	61,516
Net assets	**101,409**	97,822
Capital and reserves		
Share capital, share premium and capital reserve	**42,084**	41,119
Other reserves	**59,305**	56,682
Total equity attributable to equity shareholders of the Company	**101,389**	97,801
Minority interests	**20**	21
Total equity	**101,409**	97,822

Notes: -

1. INDEPENDENT REVIEW

The interim results for the half year ended 30 June 2009 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by KPMG whose unmodified review report is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group's Audit Committee.

2. BASIS OF PREPARATION

These unaudited consolidated accounts should be read in conjunction with the 2008 annual accounts. 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 HKFRS (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 calculations
- 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

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 amendment to HKAS 40 "Investment Property" has 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 fair values are recognised in profit and loss account. This policy has been applied prospectively with effect from 1 January 2009 and corresponding amounts of previous periods have not been restated.

The adoption of HKFRS 8 and HKAS 1 (revised 2007) has disclosure impacts on the Group's 2009 interim accounts while the adoption of HKFRS 7 only 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 half year ended 30 June 2009 and the year ended 31 December 2008 were as follows:

HK$ Million	
Balance as at 1 January 2009	**55,788**
Profit for the period attributable to equity shareholders of the Company	**4,498**
Release of employee share-based capital reserve	**2**
Dividends approved	**(1,925)**
Balance as at 30 June 2009	**58,363**

HK$ Million	
Balance as at 1 January 2008	49,992
Profit for the year attributable to equity shareholders of the Company	8,284
Release of revaluation reserve on disposal, net of deferred tax	42
Dividends declared or approved	(2,530)
Balance as at 31 December 2008	55,788

4. PROFIT ON PROPERTY DEVELOPMENTS

Profit on property developments comprises:

HK$ Million	Half year ended 30 June 2009	2008
Transfer from deferred income on		
- up-front payments	**16**	95
- sharing in kind	**-**	37
Share of surplus from development	**2,062**	224
Income recognised from sharing in kind	**72**	-
Other overhead costs	**(3)**	(8)
	2,147	348

5. INCOME TAX

Income tax in the consolidated profit and loss account represents:

HK$ Million	Half year ended 30 June 2009	2008
Current tax		
- Provision for Hong Kong Profits Tax for the period	**781**	5
- Overseas tax for the period	**-**	1
	781	6
Deferred tax		
- Origination and reversal of temporary differences on:		
- change in fair value of investment properties	**117**	343
- utilisation of tax losses	**-**	406
- others	**12**	(43)
	129	706
- Effect on deferred tax balances resulting from a change in tax rate	**-**	(704)
	129	2
Income tax in the consolidated profit and loss account	**910**	8
Share of income tax of non-controlled subsidiaries	**9**	8
Share of income tax of associates	**3**	6

Current tax provision for Hong Kong Profits Tax for the half year ended 30 June 2009 is calculated at the prevailing Hong Kong Profits Tax rate at 16.5% (2008: 16.5%) on the estimated assessable profits for the period. 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 resolved to pay an interim dividend of HK$0.14 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. The interim dividend will be distributed on or about 23 October 2009 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 4 September 2009. The Company's majority shareholder, The Financial Secretary Incorporated, has agreed to elect to receive all or part of its entitlement to dividends in the form of scrip to the extent necessary to ensure that a maximum of 50% of the total dividend paid by the Company will be in the form of cash.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the half year ended 30 June 2009 attributable to equity shareholders of HK$4,498 million (2008: HK$4,689 million) and the weighted average number of ordinary shares of 5,665,191,375 in issue during the period (2008: 5,613,941,337).

The calculation of diluted earnings per share is based on the profit for the half year ended 30 June 2009 attributable to equity shareholders of HK$4,498 million (2008: HK$4,689 million) and the weighted average number of ordinary shares of 5,668,730,035 in issue during the period (2008: 5,619,005,310) 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$0.69 (2008: HK$0.49) if the calculation is based on profit from underlying businesses attributable to equity shareholders, i.e. excluding increase in fair value of investment properties net of related deferred tax.

8. SEGMENTAL INFORMATION

	Turnover Half year ended 30 June		Contribution to profit Half year ended 30 June	
HK$ Million	**2009**	2008	**2009**	2008
Railway operations	**5,542**	5,611	**1,105**	1,238
Station commercial and rail related businesses	**1,326**	1,365	**1,138**	1,175
	6,868	6,976	**2,243**	2,413
Hong Kong property rental and management	**1,302**	1,163	**1,045**	929
All others	**460**	388	**142**	24
	8,630	8,527	**3,430**	3,366
Property developments			**2,147**	348
			5,577	3,714
Project studies and business development expenses			**(95)**	(87)
Merger related expenses			**(7)**	(24)
Interest and finance charges			**(854)**	(1,078)
Change in fair value of investment properties			**712**	2,080

HK$ Million	Turnover Half year ended 30 June **2009**	2008	Contribution to profit Half year ended 30 June **2009**	2008
Share of profits of non-controlled subsidiaries and associates			**74**	91
Income tax			**(910)**	(8)
			4,497	4,688

9. DEBTORS AND CREDITORS

A The Group's debtors, deposits and payments in advance amounted to HK$5,800 million (31 December 2008: HK$7,190 million), out of which HK$4,682 million (31 December 2008: HK$5,818 million) relates to property development which are due in accordance with the terms of relevant development agreements or sale and purchase agreements; and HK$408 million (31 December 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 service income due within 30 days. As at 30 June 2009, HK$171 million (31 December 2008: HK$197 million) were overdue out of which HK$29 million (31 December 2008: HK$49 million) were overdue by more than 30 days.

B Creditors, accrued charges and provisions amounted to HK$4,470 million (31 December 2008: HK$5,334 million) with the majority relating to capital projects to be settled upon certification of work in progress and swap interest payable. The Group has no significant balances of trade creditors resulting from its provision of transportation services. As at 30 June 2009, HK$1,008 million (31 December 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 OWN 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. Other than that, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Group's listed securities during the half year ended 30 June 2009.

11. CHARGE ON GROUP ASSETS

As at 30 June 2009, MTR Corporation (Shenzhen) Limited, an indirect wholly owned subsidiary of the Company, in Mainland of China had pledged certain of its future revenues from and interest in insurance policies covering the Shenzhen Metro Line 4 project as security to obtain financing facilities in the aggregate amount of RMB4 billion.

Apart from the above, none of the other assets of the Group was charged or subject to any encumbrance as at 30 June 2009.

12. CORPORATE GOVERNANCE

The Company has complied throughout the half-year ended 30 June 2009 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") except that, with respect to Code Provision A.4.1, 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 (Cap. 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. As there are currently eight Directors subject to the requirement to retire by rotation, and one-third of them shall retire at each annual general meeting of the Company (subject to re-election by the shareholders), each of these Directors is effectively appointed for a term of approximately three years.

As reported in the Corporate Governance Report of the Company's 2008 Annual Report (page 102), 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 has 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.

13. PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.mtr.com.hk and the website of the Stock Exchange. The Interim Report will also be available at the Company's and the Stock Exchange's websites in mid September 2009 and will be despatched to shareholders of the Company in mid September 2009.

KEY STATISTICS

	Half year ended 30 June	
	2009	2008
Total passenger boardings		
- Domestic Service (in million)	**586.7**	585.2
- Cross-boundary Service (in million)	**45.8**	46.0
- Airport Express (in thousand)	**4,626**	5,230
- Light Rail (in million)	**69.8**	66.5
Average number of passengers (in thousand)		
- Domestic Service (weekday)	**3,465**	3,441
- Cross-boundary Service (daily)	**253**	253
- Airport Express (daily)	**25.6**	28.7
- Light Rail (weekday)	**396**	374
Operating profit from railway and related businesses before depreciation, amortisation and merger related expenses as a percentage of turnover	**55.6%**	56.2%

MANAGEMENT REVIEW AND OUTLOOK

I am pleased to report MTR Corporation's results for the first six months of 2009. Despite the global recession and its negative impact on the Hong Kong economy, our recurrent businesses, comprising rail, station commercial and rail related businesses along with property rental and management, registered solid performance while our property development business remained resilient. The first half of 2009 also saw continued achievement of the Rail Merger synergies as well as accelerated momentum in our drive to grow our businesses both in Hong Kong and overseas.

In Hong Kong, we entered into a Project Agreement with the Hong Kong SAR Government on 13 July 2009 thus allowing for construction of West Island Line (WIL) to commence. Further progress was made on the design of the South Island Line (East) (SIL(E)) and Kwun Tong Line Extension (KTE) both of which will be invested, constructed and operated by the Company. Good progress was also made in the design of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Express Rail Link) and the domestic Shatin to Central Link (SCL); these two lines will be funded by the Government. The new LOHAS Park Station on the Tseung Kwan O Line was opened for service on 26 July 2009 and operation of the Kowloon Southern Link with the new Austin Station will commence on 16 August 2009.

In the Mainland of China, we entered into the Concession Agreement for the Shenzhen Metro Line 4 project on 18 March 2009 as well as the Concession Agreement relating to the Operations and Maintenance of Shenyang Metro Lines 1 and 2 on 7 May 2009.

Internationally, in Stockholm, our wholly owned subsidiary was awarded an eight-year franchise in January to operate the Stockholm Metro starting from 2 November 2009, and in Melbourne, Metro Trains Melbourne (MTM), our 60% owned subsidiary, was chosen in June as the preferred bidder to operate the Melbourne metropolitan train network.

The Company's results for the first half of 2009 reflected the steady performance of our recurrent businesses as well as good results from property development. Under a recessionary environment, revenue increased by 1.2% to HK$8,630 million while operating profit from railway and related businesses before depreciation and amortisation increased marginally to HK$4,799 million. Property development profits were HK$2,147 million compared to HK$348 million in the same period of 2008 mainly due to the recognition of final profit split with the developer on The Harbourside at Kowloon Station as well as further recognition of profits from The Palazzo and The Capitol, arising from receipts of final stage payments on units previously sold. Excluding investment properties revaluation and the related deferred tax, net profit from underlying businesses attributable to equity shareholders increased by 42.9% to HK$3,903 million. Change in fair value of investment properties was HK$712 million pre-tax (HK$595 million post-tax) compared with a much more significant property revaluation surplus of HK$2,080 million pre-tax in the first half of 2008. Therefore, net profit attributable to equity shareholders was HK$4,498 million, a decrease of 4.1% from the corresponding period in 2008, with reported earnings per share decreasing by 4.8% to HK$0.79. Your Board has declared an interim dividend of HK$0.14 per share.

Hong Kong Railway Operations

Patronage

For the first half of 2009, total patronage for all of our rail and bus passenger services (Integrated MTR System) increased by 0.7% to 726.4 million as compared to that of the same period 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 586.7 million. This represents an increase of 0.3% when compared with patronage in the first half of 2008. However, beginning in May, we saw a reduction in patronage due to the H1N1 influenza and the subsequent early closure of some schools. Average weekday patronage for the Domestic Service in the first half of 2009 was 3.47 million, which represents an increase of 0.7% over that in the same period last year.

For the Cross-boundary Service at Lo Wu and Lok Ma Chau, patronage was 45.8 million in the first half of 2009, representing a slight decrease of 0.4% compared to the same period in 2008.

Passengers using the Airport Express in the first half of 2009 fell more significantly by 11.5% to 4.6 million when compared with the same period last year, mainly due to the decrease in air passengers.

Passenger volume on Light Rail, Bus and Intercity was 89.3 million in the first half of 2009, an increase of 5.3% when compared with the same period last year.

Overall, average weekday patronage on the Integrated MTR System was 4.2 million in the first half of 2009.

In our network expansion, the LOHAS Park Station on the Tseung Kwan O Line opened on 26 July 2009. The Kowloon Southern Link, with the new Austin Station, will commence service on 16 August 2009, and will strategically connect the West Rail Line with the East Rail Line, by an interchange at Hung Hom Station.

Market Share

Our overall share of the franchised public transport market rose to 42.0% in the first five months of 2009 as compared to 41.6% in the same period last year. Within this total, our share of cross-harbour traffic rose to 63.4% from 62.6% whilst our market share in the Cross-boundary business declined to 55.4% from 56.6% due to continued strong competition.

Fare Revenue

Total fare revenue was HK$5,527 million in the first half of 2009, which represents a small decrease of 1.2% from the same period last year.

Fare revenue of the Domestic Service was HK$3,829 million in the first half of 2009, which represents a slight decrease of 0.5% from the same period in 2008 with average fare per passenger decreasing by a marginal 0.8% to HK$6.53 due to the extension of student half fares to the East Rail Line, West Rail Line and Ma On Shan Line starting from 28 September 2008.

In our Cross-boundary Service, average fare per passenger was HK$24.75 in the first half of 2009, a slight increase of 2.0% when compared with the same period in 2008, whilst for the Airport Express, average fare per passenger decreased by 3.3% to HK$62.56 mainly due to the change in passenger mix.

The first application of the Fare Adjustment Mechanism took place in the second quarter of 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 the calculated increase percentage of 0.7% will be carried forward to the Fare Adjustment Mechanism calculation in 2010.

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.

Service improvements in the first half of 2009 included an extensive programme of station area upgrades, the completion of public WiFi for Airport Express trains, and a continuing series of enhancements for access to the network for the disabled. In response to the serious threat to public health posed by the Human Swine Flu pandemic, the Company implemented an extensive programme to educate both customers and staff about taking precautions and an Influenza Pandemic Command Team was established to implement a series of risk mitigation initiatives. Timely measures included increased sanitation and cleaning procedures, as well as the provision of personal protective equipment and dissemination of information through display systems at stations.

The winning of a number of prestigious awards once more reflected our ongoing commitment to service excellence. MTR Corporation won the Gold Award in The Hong Kong Association for Customer Service Excellence Limited's "Customer Service Excellence Award - Grand Award 2008". The Company also won the "Sing Tao Excellent Services Brand Award 2008 – Public Transportation Category" for the third consecutive year. Other awards included Next Magazine's "Top Service Award – Transportation Category" for the eleventh year in a row, East Week Magazine's "Hong Kong Service Awards – Transportation Category" for the fifth consecutive year as well as the magazine's Corporate Social Responsibility Award for the second year, the Prime Award for Eco-Business presented by Prime Magazine for the second year and the "2008 Hong Kong Top Service Brand Award" jointly organised by the Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong.

Station Commercial and Rail Related Businesses

Revenue for our station commercial and rail related businesses in the first half of 2009 was HK$1,653 million representing an increase of 0.5 % over the same period in 2008.

Station retail revenue in the first half of 2009 was HK$793 million representing an increase of 2.5% over the same period in 2008. This increase was largely due to the repartition and renovation of shop areas in the Airport Express, Tung Chung Line and East Rail Line stations as well as an increase in shop rental rates on renewals or reletting in the first half of 2009. Renovation of 41 new shops were completed during the period at 11 stations along with seven new trades added. The total number of shops at 30 June 2009 was 1,209 with total station retail area of 51,726 square metres.

Advertising revenue in the first half of 2009 was HK$270 million representing a reduction of 22.0% when compared with the same period in 2008. This reduction was mainly due to decrease in advertising spending as a result of the poor economic environment. New advertising formats introduced in our system included 60 pairs of 65-inch High Definition plasma TVs installed at ten strategic stations in May. In total, there are now 21,152 advertising points in our stations, 24,629 in trains (including 4,545 Liquid Crystal Displays) and 66 exhibition and display sites in 42 stations.

Revenue from telecommunications services in the first half of 2009 was HK$132 million representing an increase of 2.3% when compared with the same period in 2008. In March, one of Hong Kong's leading telecom operators launched an advanced 2G/3G mobile network, enabling passengers to enjoy high data speed of up to 21Mbps in our railway system. Full 3G mobile phone coverage was also launched at four of the West Rail Line stations in June 2009 with the remaining stations along the line to be fully 3G enabled by the third quarter. A new source of revenue arose from the renting of our railway premises roof tops to house Global Positioning Systems and Microwave Antennae systems.

Revenue from external consultancy was HK$85 million during the first six months, an increase of 32.8% when compared with the same period in 2008.

Property and Other Businesses

Overview

The Hong Kong property market saw some consolidation in the early months of the year. However, despite little improvement in the overall economy, the low interest rate environment and a recovery in confidence saw property activities pick up in the second quarter of 2009 with both prices and transaction volumes strengthening.

Property Development

Leveraging off the recovery in the property market, the pre-sale of Lake Silver at Wu Kai Sha was launched in May. Market response was positive and about 85% of the 2,169 units have now been sold. On 17 July 2009, pre-sale of Phase A of Le Prestige at LOHAS Park was launched with good response and all 1,688 units have been sold.

Profit from property development for the first six months of 2009 was HK$2,147 million, a significant increase over the HK$348 million recorded in the same period in 2008. As highlighted previously, recognition of property development profit in any period depends, partly, on the number of projects on which profits can be booked. In the first half of 2009 the major contributors to property development profit were the recognition of final profit split with the developer relating to The Harbourside, as well as additional profit bookings from The Palazzo and The Capitol following receipt of final stage payments from buyers of units in these developments.

Property Rental, Management and Other Businesses

Total revenue from property rental, property management and other businesses was HK$1,450 million, an increase of 12.4% over the same period in 2008.

Although the general demand for both office and retail space remained soft, our property rental income increased by 11.6% to HK$1,249 million, due mainly to the addition of Elements Phase 2 in November 2008 as well as an average increase in rental reversion of 4.6%. As of 30 June 2009, the occupancy rate of our shopping malls was 98% and our office premises were fully leased out.

Elements, our premium shopping centre in Hong Kong, won the Official Honouree distinction in the 13th Annual Webby Awards and the GOLD Direct Market Lotus Award in the Asia-Pacific Advertising Festival (AdFest) and continued to receive international recognition by winning the Cityscape Asia Real Estate Award in May 2009 as Best Commercial/Retail Development.

Property management revenue in the first half of 2009 was HK$114 million, an increase of 10.7% over the same period in 2008. The number of residential units under our management totalled 77,280 at the end of June, while commercial space under management was 749,590 square metres.

Ginza Mall, which opened in January 2007, set a new benchmark for service and quality standards for shopping malls in Beijing. During the first half of 2009, the occupancy rate continued to be close to 100%. The mall was widely recognised by receiving various awards and honours. These included the Capital Safety and Security Pioneer Shopping Centre Award sponsored jointly by the Capital Safety and Security Office, the Beijing State-owned Assets Supervision and Administration Commission, the Beijing Police Bureau and the Beijing Industrial and Commerce Bureau.

As of 30 June 2009, the Company's investment properties included 222,189 square metres of lettable floor area of retail properties, 41,059 square metres of lettable floor area of offices and 10,402 square metres of real estate for other usage.

Octopus
Octopus continued its expansion in the retail sector by appointing new acquirers to recruit small to medium-sized retail merchants. By the end of June, there were over 2,500 Octopus service providers (including those serviced by Octopus-appointed acquirers) in Hong Kong. Cards in circulation was 19.5 million and average daily transaction volume and value were 10.7 million and HK$94.2 million respectively.

The Company’s share of Octopus’ net profit for the first half of 2009 was HK$68 million, a 12.8% decrease from the same period in 2008 due to lower international revenue contributions.

Ngong Ping 360
The Ngong Ping cable car and associated theme village on Lantau Island contributed HK$87 million of revenue in the first six months of 2009, a 27.9% increase over the same period in 2008, with visitor numbers reaching more than 745,000 despite a significant decline of tourists to Hong Kong. In April, Ngong Ping 360 launched the Crystal Cabins, which were the world's first cable car cabins to be fitted with a full-width transparent bottom and which proved to be hugely popular with our guests. In the same month, Ngong Ping 360’s cable car Operations Department received ISO 9001:2008 certification.

Hong Kong Network Expansion

Hong Kong

Good progress was made in the first half of the year on the planning and construction for the Company’s five new rail projects in Hong Kong, which together with the completed Kowloon Southern Link, will extend our network by approximately 60 kilometres.

Rapid progress was made on the Kowloon Southern Link, which will strategically connect the existing East Rail Line with the West Rail Line, forming a major East-West rail artery with an interchange at Hung Hom Station. All statutory inspections for the new Austin Station on the Kowloon Southern Link and other associated works have been completed and the extension will open for service on 16 August 2009.

Phase 2 of the Tseung Kwan O Line was completed in the second quarter of 2009 with the LOHAS Park Station opening on 26 July to coincide with occupancy of The Capitol at LOHAS Park. The opening marked the full completion of the Tseung Kwan O Line, bringing passenger rail service to a growing new community.

The WIL was gazetted under the Railways Ordinance in October 2007. Frequent dialogue with, and input from, local communities have since led to a design that is sensitive to both local heritage and urban renewal opportunities thus creating a “Community Railway”. The WIL Project Agreement was signed between the Company and Government on 13 July 2009 whereby an amount of HK$12.252 billion would be granted to the Company for project construction works. Part of this project grant is subject to repayment to Government in the event that certain actual capital expenditure for the line is less than currently forecast. This project grant is in addition to an amount of HK$400 million which was previously given by the Government to the Company on 19 February 2008 for detailed design of the WIL. These grants will enable the Company to earn an investment return within the range of 1% to 3% above our weighted average cost of capital. Construction has begun and WIL opening is expected in 2014.

The SIL(E) was gazetted on 24 July 2009, and detail design has commenced with the line targeted to open in 2015.

The planning and design of other new railway projects continued with detailed design for the Express Rail Link and preliminary design of the SCL making good progress in the first half of 2009. Preliminary design of the KTE was completed in June, with gazettal and detailed design scheduled in the second half of the year.

Mainland and Overseas Expansion

Our projects in the Mainland of China and overseas continued to make progress.

Mainland of China

In Beijing, the Public-Private-Partnership (PPP) company comprising MTR Corporation (49%), Beijing Infrastructure Investment Co. Ltd. (2%) and Beijing Capital Group (49%) is finalising construction work on the Beijing Metro Line 4 (BJL4) project in preparation for line opening in the fourth quarter of 2009. All track laying has been completed, while signalling testing and trial running of trains and station operations preparation continue.

In Shenzhen, the Concession Agreement for the Shenzhen Metro Line 4 (SZL4) project was signed in March with the Shenzhen Municipal Government. 82% of the overall civil works for SZL4 Phase 2 had been finished by the end of June and most of the Electrical and Mechanical contracts have been awarded. We are due to take over the operations of Phase 1 of SZL4 in the middle of 2010 with full line operations, including Phase 2, by the middle of 2011.

We also moved forward in our discussions with the Shenyang Municipal Government on the Operations and Maintenance of Shenyang Metro Lines 1 and 2 with the signing of the Concession Agreement in May together with a framework agreement on possible property development above stations on Lines 1 and 2.

Overseas

In the UK, our 50:50 joint venture, London Overground Rail Operations Limited, continues to bring steady service improvements to the London Overground following takeover of the concession in November 2007.

In Sweden, our wholly owned subsidiary was selected as the operator under an eight-year concession for the Stockholm Metro system on 21 January 2009. Mobilisation is in progress to take over the concession in November after receiving assurance from the tendering authority in the face of a legal challenge, launched by the incumbent operator, against the tendering authority. In Australia, our subsidiary MTM, comprising MTR Corporation (60%), John Holland Melbourne Rail Franchise Pty Ltd (20%) and United Group Rail Services Ltd (20%), was selected as the preferred bidder to operate the Melbourne metropolitan train network for eight years with a possible extension for a further seven years. Negotiations continue with the aim to agree final franchise terms shortly and to start operating the franchise in December 2009.

Financial Review

The Group's financial performance for the first half of 2009 remained resilient despite the global economic downturn, with total revenue increasing by 1.2% to HK$8,630 million as compared to the same period last year. Total fare revenues decreased by 1.2% to HK$5,527 million, mainly attributable to the 11.5% drop in patronage on Airport Express and the extension of student concession fares to the ex-KCR system starting from September last year. Revenue from station commercial and rail related businesses increased by 0.5% to HK$1,653 million reflecting slight growth in most of these businesses except advertising, which was severely affected by the economic downturn and recorded a 22% drop in revenue. Property rental, management and other revenue rose by 12.4% to HK$1,450 million mainly due to the inclusion of rental revenue for Elements Phase 2, which opened in November 2008, as well as positive rental reversions.

Operating expenses before depreciation and amortisation for the first half of 2009 increased by 2.7% to HK$3,831 million when compared to the same period last year mainly due to increases in staff costs, maintenance costs and increases in stores and spares consumed. Further synergies from the Rail Merger were realized and are on track to achieve the estimated HK$450 million per year ahead of schedule within 2009. As a result, operating profit from railway and related businesses before depreciation and amortisation increased marginally by 0.1% to HK$4,799 million while operating margin decreased from 56.2% to 55.6%.

Property development profit for the first half of 2009 amounted to HK$2,147 million, mainly comprising recognition of final profit split with developer on The Harbourside and surplus proceeds from The Palazzo and The Capitol of which The Palazzo and The Capitol contributed HK$1,227 million. Operating profit before depreciation and amortisation increased 35.0% to HK$6,946 million as compared to the same period last year.

Depreciation and amortisation charges for the first half of 2009 decreased by 3.5% to HK$1,464 million mainly attributable to certain assets being fully depreciated by the end of last year. Merger related expenses, comprising post-merger integration expenses not eligible for capitalisation, decreased to HK$7 million. Net interest and finance charges decreased by 20.8% to HK$854 million mainly due to the lower costs of borrowing as well as reduced debt outstanding. The increase in fair value of investment properties since the end of 2008 amounted to HK$712 million pre-tax and HK$595 million post-tax compared with HK$2,080 million pre-tax and HK$1,737 million post-tax for the same period last year.

Including the share of profits of HK$74 million in total from Octopus Holdings Limited and London Overground Rail Operations Limited, profit before tax for the first half of 2009 increased by 15.1% to HK$5,407 million. Income tax amounted to HK$910 million compared to HK$8 million last year; the low tax charge in 2008 was due to a one-off reduction in deferred tax liability, of HK$704 million, resulting from a reduction in Hong Kong Profits Tax rate from 17.5% to 16.5%. As a result, net profit attributable to shareholders for the first half of 2009 amounted to HK$4,498 million, a decrease of 4.1% from the same period last year. Reported earnings per share decreased from HK$0.83 to HK$0.79. Excluding investment property revaluation gains and the related deferred tax, net profit from underlying business increased by 42.9% to HK$3,903 million with earnings per share on the same basis increasing from HK$0.49 to HK$0.69. On a pre-tax basis, net profit from underlying business increased by 79.4% from HK$2,617 million to HK$4,696 million.

The Board has declared an interim dividend of HK$0.14. As with previous dividend payments, a scrip dividend option will be offered to all shareholders except those with registered addresses in the United States of America or any of its territories or possessions. The Company's major shareholder, the Financial Secretary Incorporated (FSI), 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.

The Group's balance sheet strengthened further with net assets of the Group increasing by 3.7% to HK$101,409 million as at 30 June 2009. Total assets increased by 0.2% to

HK$159,708 million mainly attributable to investment property revaluation gains of HK$712 million together with capital expenditures incurred in the SZL4 Project and other new railway extensions, as well as capital improvement projects. Debtors, deposits and payments in advance decreased by HK$1,390 million mainly due to cash receipts from property development projects such as The Palazzo, The Capitol, Metro Town and Le Point. During the period, total borrowings of the Group decreased from HK$31,289 million to HK$27,880 million due to loan repayment from net cash generated in our businesses. As a result, net debt-to-equity ratio of the Group including obligations under the service concession as a component of debt decreased from 42.1% at 31 December 2008 to 37.0% at 30 June 2009.

The Group's cash inflow generated from railway and related activities for the first half of 2009 increased by 2.1% to HK$4,771 million. After tax payment of HK$194 million, net cash inflow generated from operating activities for the half year was HK$4,577 million. Cash receipts from our property development business amounted to a further HK$2,523 million mainly from The Palazzo, The Capitol, Metro Town and Le Point. Including proceeds from net sales of investments in securities of HK$240 million and receipts of dividends of HK$40 million from Octopus Holdings Limited, cash inflow for the Group decreased by 11.8% to HK$7,380 million mainly due to a reduction in cash receipts from our property development business and the receipt of the government grant for the detailed design of the WIL Project of HK$400 million in February 2008. Cash outflow for capital expenditures during the period increased to HK$1,888 million from HK$1,429 million for the same period last year mainly due to an increase in purchases of operational railway assets. After deducting payments for property projects of HK$305 million, investment in Shenyang Metro Lines 1 and 2 associate of HK$55 million, net interest payment of HK$657 million, merger related expenditures of HK$12 million, dividend payment of HK$962 million and other working capital payments, net cash generated during the first half of 2009 amounted to HK$3,505 million, of which HK$3,277 million was used to reduce borrowings resulting in a net increase in cash and cash equivalents of HK$228 million.

Financing Activities

During the first half of 2009, financing conditions in both the capital and banking markets improved with increased liquidity, improved risk appetite, reduced credit spreads, and increased issuance volume, although new issuance remained skewed towards stronger, top rated credits.

With our strong cash flow and substantial undrawn banking facilities, we did not undertake any significant capital raising in the first half of 2009 although on an opportunistic basis, we issued HK$500 million of 5-year fixed rate medium term notes through private placement at very attractive rates.

In the Mainland of China, following the signing of the Concession Agreement for SZL4, the Group in May concluded a RMB 4.0 billion financing agreement for the project that comprises a RMB 3.6 billion 20-year term loan and other credit facilities.

As at the end of June 2009, the Group had total undrawn committed facilities of HK$7.8 billion (excluding the above-mentioned RMB credit facilities specifically for SZL4). Taking into account the strong cash flows from our businesses, it is estimated that these facilities will provide sufficient coverage for all the Group's funding needs through early 2011, including debt repayments and capital expenditures. In addition, after the period end, on 13 July 2009, the Company entered into the WIL Project Agreement whereby the Government will give to the Company a cash grant of HK$12.252 billion. On draw down of this grant, our liquidity will be further enhanced.

During the period, we continued to manage our debt financings in a prudent manner in accordance with the Preferred Financing Model to achieve a balanced portfolio with adequate risk diversification. As at the end of June 2009, the Group's debt maturity profile was well balanced with 39% of total outstanding debt repayable within 2 years, 48% between 2 and 5 years, and 13% beyond 5 years. More than 99% of the debt portfolio was either in or hedged into Hong Kong dollars, inclusive of foreign currency borrowings naturally hedged by assets or cash flows from overseas businesses. Approximately 56% of the debt outstanding was in fixed rate.

The Group's average borrowing cost during the period was 3.6%, a decrease from 4.7% during the same period last year as interest rates reduced.

Human Resources

The professionalism and dedication of our staff are key contributors to our continued success. In these challenging economic times, we continue our focus to ensure a stable workforce, retaining and improving staff resources, and attracting the very best recruits to support our business growth.

To cater for the increase in manpower requirements for the new extensions in Hong Kong, a high level human resources plan for Projects and Operations Divisions has been drawn up. Extensive communications on future manpower planning and career roadmaps for major job functions were conducted for all relevant staff to strengthen their commitment to career development through our integrated staff development programme.

In particular, to address the resourcing challenges arising from our offshore growth business, an integrated manpower resourcing mechanism was established along with the strengthening of growth business resource planning. In addition, we encouraged and facilitated more relocations of local staff to support different projects within the Mainland of China and overseas, such as engaging our Shanghai staff to help with our Delhi Project and the mobilization of the Shenzhen staff to support BJL4's opening.

In order to develop management and leadership quality for the future of the Company, we maintained our major ongoing programmes such as our Executive Associate Scheme, while at the entrance level we continued to recruit top-notch, versatile graduates from the Mainland of China, Hong Kong and overseas universities into our graduate trainee and functional associate programmes.

To reinforce team spirit and enhance service performance, a broad range of training and staff development programmes was undertaken, with particular emphasis on strengthening the new Vision, Mission and Values culture across the Company. Strong emphasis was placed on improving customer service training, with a new "Caring Service Best Practice Manual" issued to frontline staff. Our efforts in training were given widespread recognition through the winning of several awards, including in June the Gold Prize in the Hong Kong Management Association's "2009 Award for Excellence in Training", which is a prestigious benchmark for exemplary training and development practices, and the VTC Outstanding Apprentice/Trainee Award in March for three graduated apprentices.

Outlook

Despite the financial markets having rebounded in the second quarter of 2009, the economic outlook remains challenging. Hence we take a cautious stance for the balance of 2009.

Although our rail business is defensive by nature, we began to see a patronage reduction in our Domestic Service towards the end of the first half; we expect this reduction to continue in the second half, impacted by the economic environment and the effect of the

Swine Flu. However the opening of the Kowloon Southern Link will help to mitigate the impact of this reduction. Under performance of the Airport Express business compared with the previous year is expected to continue.

In our station commercial and rail related businesses, we expect the poor economic environment to continue to impact our advertising business although the station retail and telecommunication businesses show resilience. I would highlight that in the second half of 2008, we received a one-off payment on termination of a telecom contract which will not be repeated in 2009.

In our property rental business we are beginning to see a slight increase in vacancies although rental reversions remain positive.

With the successful sales of apartments at Lake Silver in Wu Kai Sha, the timing of booking of our share of profits will depend only on the issuance of Occupation Permit which was issued in mid-July 2009. The amount of profits booked is after setting off the cost of acquisition of the related development rights from KCRC. Our share of profits of Phase A (Towers 1, 2, 3 and 5) of Le Prestige at LOHAS Park will be accounted for as a 'sharing in kind', and profit booking will be dependent only on the issuance of Occupation Permit which is expected to be either at the end of 2009 or beginning of 2010. The total deemed interest on the interest free loan extended to the developer relating to Le Prestige will be set off against profits to be booked for our share of Phase A. We do not have any financial interest in the remaining phases of Le Prestige. Looking further forward in 2010, we would expect to receive Occupation Permit for the small retail centre in Area 56 Tseung Kwan O and, also as a 'sharing in kind' project, would book profits relating to our share of the retail centre on issuance of the Occupation Permit.

Currently pre-sale consent for sale of units at Tai Wai Maintenance Centre is being processed. However even if sales are launched for this development later this year or in 2010 it is unlikely that enough units would be sold to allow profits to be booked until 2011.

In our property tendering activities, depending on market conditions, we may tender both Kowloon Southern Link site C and D, and the Nam Cheong Station site before the end of first quarter 2010. The Nam Cheong Station site is a West Rail Property Development site for which we only act as agent.

Given the economic uncertainties we remain focused on cost containment, minimising cash outflow and maintaining an adequate liquidity cushion.

Finally, I would like to take this opportunity to thank my fellow directors and all my colleagues for their energy and dedication.

By Order of the Board
C K Chow
Chief Executive Officer

Hong Kong, 11 August 2009

The interim financial information set out above does not constitute the Group's interim consolidated accounts for the half year ended 30 June 2009, but is derived and represents an extract from those interim consolidated accounts.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 31 August 2009 to 4 September 2009 (both dates inclusive). In order to qualify for the interim 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 28 August 2009. It is expected that the interim dividend will be paid on or about 23 October 2009.

Members of the Board: Dr. Raymond Ch'ien Kuo-fung *(Chairman)***, Chow Chung-kong *(Chief Executive Officer)*, Vincent Cheng Hoi-chuen*, Christine Fang Meng-sang*, Edward Ho Sing-tin*, Ng Leung-sing*, Abraham Shek Lai-him*, T. Brian Stevenson*, Professor Chan Ka-keung, Ceajer (Secretary for Financial Services and the Treasury)**, Secretary for Transport and Housing (Eva Cheng)** and Commissioner for Transport (Alan Wong Chi-kong)**

Members of the Executive Directorate: Chow Chung-kong, Russell John Black, William Chan Fu-keung, 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 the case of any inconsistency, the English version shall prevail.

MTR