





Escalator Safety
Ambassadors
helped reduce
accidents at top
ten escalators with
highest accident
rates by
55%

MTR Opinion Zone
collected over
**1,200
useful
customer
comments**

**Energy
saving**
initiatives have
reduced traction
power usage by
18.7% over past
5 years

**MOVING
FORWARD**
CARING FOR LIFE'S JOURNEYS

Hong Kong Passenger Services

40 integrated entrances in 32 stations have enhanced connectivity, convenience and accessibility for passengers

29 fare saver machines offer discounts to passengers



Busy Tai Wai Station connects the eastern New Territories to other parts of Hong Kong

Our Hong Kong fare revenue, which comprises our rail, light rail and bus services, reached HK\$12,459 million in 2010. This was 8.4% higher than for 2009 and reflected a combination of an improving economy, the full year effect of the opening of Kowloon Southern Link and LOHAS Park Station and the application of the Fare Adjustment Mechanism in June 2010.

Patronage

Total patronage from all of our rail, light rail and bus services in Hong Kong increased by 6.8% as compared to last year to 1,608.5 million in 2010.

On the back of an economic rebound, our Domestic Service saw total patronage rise by 6.6% over 2009 to 1,298.7 million. Average weekday patronage from our Domestic Service in 2010 was 3.8 million, an increase of 6.4% over last year.

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

WORLD-CLASS CITY WORLD-CLASS SERVICE



Passenger traffic on the Airport Express in 2010 increased by 12.9% over 2009 to 11.1 million journeys, boosted by the revival in air travel as the global economy recovered as well as a number of well-attended events at the Asia World Expo, particularly the “River of Wisdom” event in November 2010.

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

The Company’s overall share of the franchised public transport market in Hong Kong rose from 42.6% in 2009 to 44.3% in 2010. Within this total, our share of the cross-harbour traffic increased from 64% to 65.3%. Our Cross-boundary business again faced strong competition during the year, as a result of which our market share fell slightly to 55.0% in 2010 from 55.3% in 2009.

Fare Revenue

Hong Kong fare revenue from our rail, light rail and bus services increased by 8.4% to HK\$12,459 million in 2010.

Domestic Service fare revenue increased by 8.5% in 2010 to HK\$8,668 million, accounting for 69.6% of the total Hong Kong fare revenue. Average fare per passenger on our Domestic Service increased by 1.9% to HK\$6.67 mainly due to the application of the Fare Adjustment Mechanism as well as slightly longer journeys taken by some passengers as a result of the opening of Kowloon Southern Link, which connected the East Rail Line and West Rail Line in 2009.

Fare revenue from the Cross-Boundary Service in 2010 was HK\$2,487 million, an increase of 6.9% over 2009 while the fare revenue from the Airport Express reached HK\$694 million in 2010, a rise of 12.5% as compared with 2009.



Our services are renowned for efficiency, comfort and convenience



“Our Hong Kong fare revenue, which comprises our rail, light rail and bus services, reached HK\$12,459 million in 2010.”

Fare revenue from Light Rail, Bus and Intercity services was HK\$610 million in 2010, a rise of 7.4% over 2009.

An adjustment to a number of fares was made on 13 June 2010, which was in accordance with the Fare Adjustment Mechanism adopted as part of the Rail Merger in 2007. The weighted average adjustment of all applicable fares, predominately fares for our Domestic Service, Cross-boundary Service, Bus and Light Rail, was +2.05%. In accordance with the agreed methodology, this figure was calculated according to the year-on-year change in the Composite Consumer Price Index and Transport Wage Index for December 2009, plus the adjustment rate, of 0.7%, which was not implemented in 2009 but carried forward to 2010. The adjustment was 20 Hong Kong cents or less for an estimated 83% of all passenger trips subject to the adjustment, including an estimated 10% of passenger trips that experienced no fare change.

Service Promotions

A number of innovative marketing campaigns plus a variety of carefully designed service promotions helped increase passenger traffic on our Hong Kong network during 2010.

Promotions during the year included a Valentine Promotion to promote leisure travel, and MTR shop coupons for Octopus users who accumulated fares of HK\$100 on weekdays. In May, we launched an iPhone application providing users with information for journey planning and facilities in our stations, which soon ranked as number one amongst free applications in the Apple App Store (Hong Kong). We launched an iPad application in December to build on the success of the iPhone application. Furthermore, our enhanced fare promotions for the elderly were extended into 2011.

"...we exceeded all our performance standards, both those stipulated in the Operating Agreement as well as our own more demanding Customer Service Pledges."

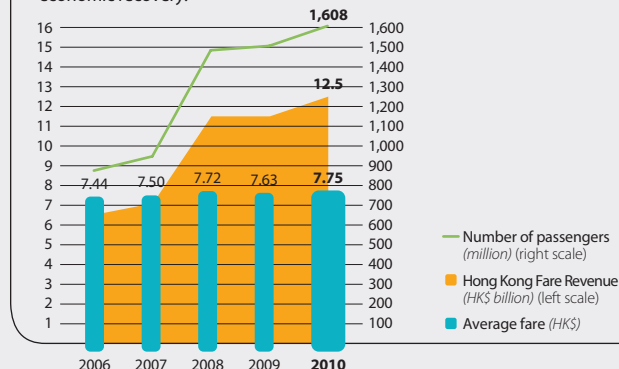
A Tourist Ticket Value Pack was launched from April to December 2010, providing tourists buying our tourist tickets with special discount offers from major local attractions and sightseeing services. A joint promotion with Asia Miles was launched in March to promote the online purchase of Airport Express tickets and tourists passes. In addition, we supported Government in the "River of Wisdom – Animated Version of the Riverside Scene at Qingming Festival" exhibition held at AsiaWorld-Expo from 9 – 29 November 2010. The event attracted more than 900,000 visitors, who enjoyed fare discounts and additional train services. We also organised themed tours on our Intercity Through Trains together with local travel agencies and revamped our Intercity



Our friendly staff are available to help people on the network

Passengers and Fares (Hong Kong Passenger Services)

The increase in fare revenue and patronage was helped by the economic recovery.



website. "Ktt", the Intercity train managed by the Company that runs between Hong Kong and Guangzhou, was appointed an official carrier for the Asian Games which took place in Guangzhou in November 2010.

Service Connectivity

We continued our work on improving service connectivity and inter-modal operations, through creating more convenient entrances, walkways, subways and pedestrian links.

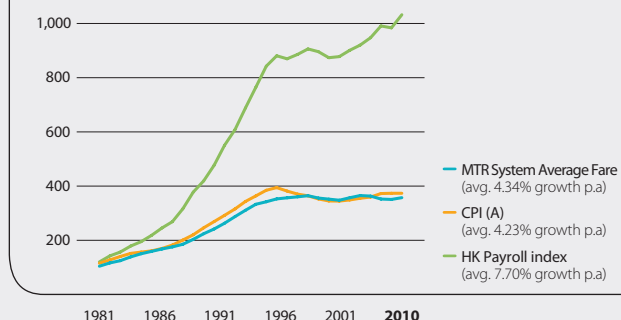
At Lai Chi Kok Station a new air-conditioned subway was completed and a wider stairway was made permanent at Tin Shui Wai Station. Tuen Mun Station benefited from the completion of a fully air-conditioned integrated entrance equipped with escalators and a passenger lift connected to the new public transport interchange. At Tsim Sha Tsui Station, the opening of the Middle Road Subway Extension and two new exits enhanced connectivity to shops, businesses and points of interest in the area, allowing passengers comfortable all-weather access. Work to upgrade the footbridges at Po Lam Station was completed in February 2010. Site works on a new entrance connecting to the footbridge of the Sun Hung Kai redevelopment at Kwai Hing Station made good progress and is targeted for opening in the first quarter of 2011. Furthermore, we had 58 feeder routes offering intermodal discounts across the network by the end of 2010.

Service Performance and Market Recognition

As in previous years, we exceeded all our performance standards, both those stipulated in the Operating Agreement as well as our own more demanding Customer Service Pledges. Train service delivery, passenger journeys on time and train punctuality were all at 99.7% or above.

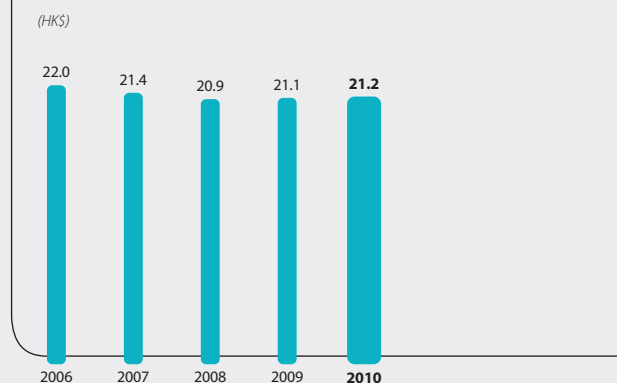
Fare Trend

In past years, MTR fares have consistently lagged behind the growth in Hong Kong payroll but were in line with the long-term changes in consumer prices in Hong Kong.



Operation Costs Per Car-km Operated for Hong Kong Passenger Services

Operating costs per car-km were maintained at a low level.



The excellent service levels which the Company achieved again secured wide recognition in Hong Kong, including the Hong Kong Service Awards in the Public Transportation Category presented by East Week magazine and the category award winner in the Public Transportation Category of the Sing Tao Excellent Services Brand Award 2009 organised by Sing Tao Daily.

Customer satisfaction recorded by our regular surveys remained high during 2010. The Service Quality Index for Domestic and Cross-Boundary services and for the Airport Express rose to 73 and 83 respectively, from 70 and 82 in 2009. The Fare Index for the two segments, which measures the level of customer satisfaction with fares, increased to 65 and 67 from 61 and 63 over the twelve months.

Service Improvement

To ensure continuous service improvement, we continued to enhance stations and rolling stock through modifications and upgrades. During 2010, various levels of renovations were completed at Mei Foo, Jordan, Sheung Shui and Mong Kok East stations and renovations are underway at Fanling Station. The concourses at Kam Sheung Road and Tin Shui Wai stations were also revamped.

Installation of automatic platform gates at eight aboveground stations on the Island, Kwun Tong and Tsuen Wan lines has commenced. Platform queuing tiles have been installed at ten West Rail Line stations. A new noise enclosure was constructed for the tracks at Wo Liu Hang in Fo Tan in March 2010.

Following the opening of the Kowloon Southern Link last year, 22 light rail vehicles procured for the Light Rail network have been progressively put into service, while ten new underground trains are targeted for delivery starting from the second quarter of 2011.



Environmentally friendly architecture and art in our stations help enhance the travelling experience

Access to the Network for the Disabled

As a company noted for its commitment to the community, we make every effort to ensure our services are available to everyone, including people who are disabled and those with reduced mobility.

During 2010, we continued to offer special fares for those with disabilities and increased the number of station assistants to help disabled people.

New ramps for the disabled were added at Kwai Fong and Kwai Hing stations, and new external lifts at Wong Tai Sin, Sham Shui Po and Jordan stations were under construction.



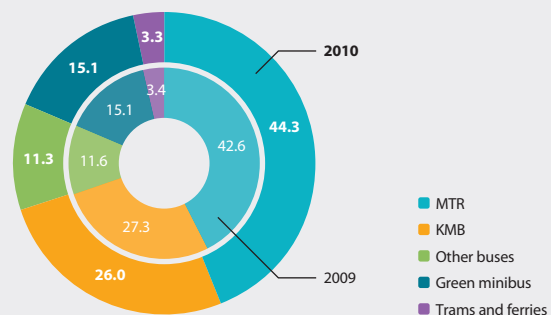
A rigorous maintenance programme underpins our high service performance

“The excellent service levels which the Company achieved again secured wide recognition in Hong Kong...”

Market Shares of Major Transport Operators in Hong Kong

The Company's overall market share increased from 42.6% in 2009 to 44.3% in 2010.

(Percentage)



Additional wide gates were installed during 2010 at Kwai Fong, Kwai Hing and Tsuen Wan West stations.

We have also modified train compartments to make them more accessible to the disabled, through a scheme to modify certain train cars to provide more multi-purpose spaces. This project is about 30% complete. All new Light Rail vehicles will feature multi-purpose and wheelchair space.

Toilets at the Hong Kong Station arrival hall level, with an improved design that make them easier to use for disabled people, were opened to the public in October 2010, followed by those at the mezzanine level in December 2010, and with those at the in-town check-in level to be completed in the first half of 2011.

To assist the visually impaired, during the year, full length tactile guide paths were installed on the East Rail Line platforms in Kowloon Tong Station. The tactile guide path for all other platforms on East Rail Line stations will be modified to cover full platform length during 2011 and 2012. Braille maps and handrail Braille plates were installed at Tai Wo Hau, Mong Kok, Shek Kip Mei, Diamond Hill, and Sunny Bay stations.

Productivity

During the year, we made further improvements in productivity and efficiency, including energy efficiency. Efficiency enhancement came from smart-metering for station kiosks and improvements to tunnel ventilation at Tseung Kwan O Station and depot, which generated considerable savings. Additional savings came from electronic ballast replacement at East Rail Line stations and optimisation of station lighting. The

installation of static inverters on certain East Rail Line trains, in addition to saving energy, also reduced noise. LED lighting for 136 trains is currently under product design and type testing in the factory, with installation targeted for completion in mid 2014. In addition to the initiatives in energy saving, we continue to identify opportunities to enhance productivity such as alternative sourcing, and streamlining work processes for station maintenance work.

Overall our cost per car-km was HK\$21.2 in 2010, a below inflation increase of 0.47% from 2009. Operating margin for our Hong Kong transport business improved to 46.0% from 43.1%.

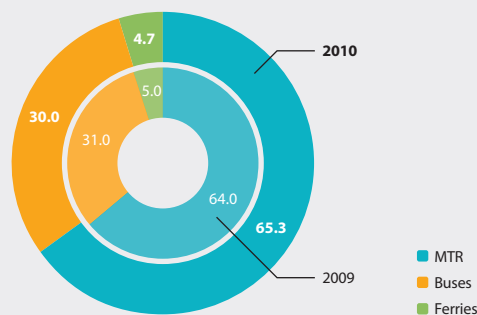


Improving services and accessibility to sustain high customer satisfaction

Market Shares of Major Transport Operators Crossing the Harbour

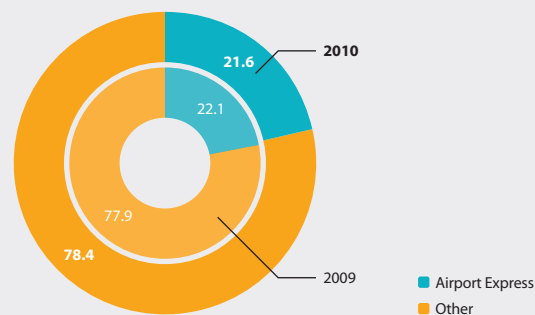
The Company's market share of cross-harbour traffic rose to 65.3%.

(Percentage)



Market Shares of Airport Express

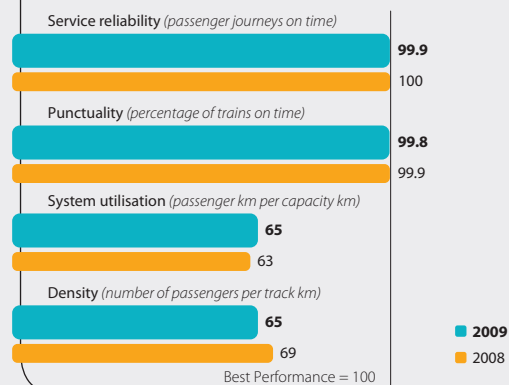
The proportion of air passengers using the Airport Express decreased.



Benchmarking Comparisons

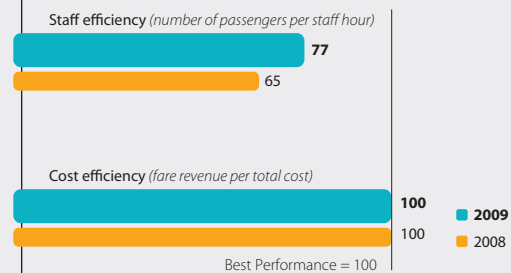
MTR Corporation maintained its strong position, particularly in service reliability, against international benchmarks.

MTR performance vs. Best Performance

**Staff Efficiency and Cost Efficiency**

New initiatives continue to be introduced to enhance operating efficiency.

MTR performance vs. Best Performance



Airport Express provides convenient and reliable services to air travellers

System and Market Information

Railway operation data	2010		2009	
Total route length (<i>km</i>)	218.2		218.2	
Number of rail cars	1,941		1,921	
Number of stations (Island Line, Tsuen Wan Line, Kwun Tong Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line, West Rail Line, Airport Express, East Rail Line and Ma On Shan Line)	84		84	
Number of Light Rail stops	68		68	
Number of e-instant Bonus machines in stations	44		36	
Number of station kiosks and mini-banks in stations	1,254		1,228	
Number of advertising points in stations	21,021		20,742	
Number of advertising points in trains	23,817		26,823	
Daily hours of operation				
Island Line, Tsuen Wan Line, Kwun Tong Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line, West Rail Line, Airport Express and Light Rail	19.0		19.0	
East Rail Line and Ma On Shan Line	19.5		19.5	
Minimum train headway (<i>second</i>)	Morning Peak	Evening Peak	Morning Peak	Evening Peak
– Tsuen Wan Line	128	130	128	130
– Kwun Tong Line	128	144	128	144
– Island Line	120	150	120	150
– East Rail Line				
Hung Hom to Sheung Shui	212	212	212	212
Hung Hom to Lo Wu	327	327	327	327
Hung Hom to Lok Ma Chau	600	600	600	600
– Ma On Shan Line	180	240	180	240
– Tseung Kwan O Line	150	150	160	180
– Tung Chung Line				
Hong Kong to Tung Chung	360	480	360	480
Hong Kong to Tsing Yi	240	240	240	240
– Airport Express	720	720	720	720
– West Rail Line	180	270	180	270
– Disneyland Resort Line	270	270	270	270
– Light Rail	270	300	270	300

International Performance Comparisons: The 13-member Community of Metros (CoMET)

Metro system network data (2009)	MTR *	Metro A	Metro B	Metro C	Metro D	Metro E	Metro F	Metro G	Metro H	Metro I	Metro J	Metro K	Metro L
Passenger journeys (million)	1,313	809	532	1,078	1,415	648	2,392	1,598	1,542	461	611	878	706
Car kilometres (million)	248	177	119	472	348	201	722	567	246	98	106	169	112
Route length (km)	175	200	146	439	201	275	298	480	215	115	86	241	61
Number of stations	82	106	173	270	147	241	164	424	300	66	86	156	55

* The lines included in the CoMET metro benchmarking programme are Kwun Tong Line, Tsuen Wan Line, Island Line, Tung Chung Line, Tseung Kwan O Line and Disneyland Resort Line, East Rail Line, Ma On Shan Line and West Rail Line. The Airport Express is excluded from the benchmarking.

Note: The other metros in the comparison are Berliner Verkehrsbetriebe, London Underground Limited, New York City Transit, Sistema de Transporte Colectivo, Régie Autonome des Transports Parisiens Metro, Régie Autonome des Transports Parisiens Réseau Express Régional, Metropolitano de São Paulo, Moscow Metro, Metro de Madrid, Metro de Santiago, Shanghai Metro Operation Corporation and Beijing Mass Transit Railway Operation Corporation. The benchmarking agreement prohibits specifically identifying the data by metro system.

Operations Performance in 2010

Service performance item	Performance Requirement	Customer Service Pledge Target	Actual Performance
Train service delivery			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	99.8%
– East Rail Line (including Ma On Shan Line)	98.5%	99.5%	99.9%
– West Rail Line	98.5%	99.5%	99.9%
– Light Rail	98.5%	99.5%	99.9%
Passenger journeys on time			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line and Disneyland Resort Line	98.5%	99.5%	99.9%
– Airport Express	98.5%	99.0%	99.9%
– East Rail Line (including Ma On Shan Line)	98.5%	99.0%	99.9%
– West Rail Line	98.5%	99.0%	99.9%
Train punctuality			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line and Disneyland Resort Line	98.0%	99.0%	99.7%
– Airport Express	98.0%	99.0%	99.9%
– East Rail Line (including Ma On Shan Line)	98.0%	99.0%	99.9%
– West Rail Line	98.0%	99.0%	99.8%
– Light Rail	98.0%	99.0%	99.9%
Train reliability: train car-km per train failure causing delays ≥ 5 minutes			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	N/A	500,000	2,459,083
– East Rail Line (including Ma On Shan Line) and West Rail Line	N/A	500,000	3,813,015
Ticket reliability: magnetic ticket transactions per ticket failure			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line, Airport Express, East Rail Line (including Ma On Shan Line) and West Rail Line	N/A	8,000	26,955
Add value machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	99.5%
– East Rail Line (including Ma On Shan Line)	98.0%	99.0%	99.8%
– West Rail Line	98.0%	99.0%	99.7%
– Light Rail	N/A	99.0%	99.5%
Ticket machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	99.6%
– East Rail Line (including Ma On Shan Line)	97.0%	99.0%	99.7%
– West Rail Line	97.0%	99.0%	99.6%
– Light Rail	N/A	99.0%	99.8%

Operations Performance in 2010 (continued)

Service performance item	Performance Requirement	Customer Service Pledge Target	Actual Performance
Ticket gate reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	99.8%
– East Rail Line (including Ma On Shan Line)	97.0%	99.0%	99.9%
– West Rail Line	97.0%	99.0%	99.9%
Light Rail platform Octopus processor reliability	N/A	99.0%	99.9%
Escalator reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	99.9%
– East Rail Line (including Ma On Shan Line)	98.0%	99.0%	99.8%
– West Rail Line	98.0%	99.0%	99.9%
Passenger lift reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	99.7%
– East Rail Line (including Ma On Shan Line)	98.5%	99.5%	99.9%
– West Rail Line	98.5%	99.5%	99.9%
Temperature and ventilation			
– Trains, except Light Rail: to maintain a cool, pleasant and comfortable train environment generally at or below 26°C	N/A	97.0%	99.9%
– Light Rail: on-train air-conditioning failures per month	N/A	<3	0
– Stations: to maintain a cool, pleasant and comfortable environment generally at or below 27°C for platforms and 29°C for station concourses, except on very hot days	N/A	90.0%	99.8%
Cleanliness			
– Train compartment: cleaned daily	N/A	98.5%	99.9%
– Train exterior: washed every 2 days (on average)	N/A	99.0%	100.0%
Northwest Transit Service Area Bus Service			
– Service Delivery	N/A	99.0%	99.8%
– Cleanliness: washed daily	N/A	99.0%	100.0%
Passenger enquiry response time within 6 working days	N/A	99.0%	99.9%