

Chairman's Letter

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Dear Stakeholders,

I am pleased to report to you the interim results of MTR Corporation for the first six months of 2009.

Against a challenging economic background resulting from the global recession, we continued to deliver on our promises both in terms of steady financial performance as well as laying the foundations for future growth. Our recurrent businesses demonstrated their resilience in these tough economic times while our property business showed steady results. In future growth, our projects for extending the Hong Kong network and for expanding our operations in the Mainland of China and overseas made good progress.

Financial Results

We achieved satisfactory financial results for the half year, with revenue rising by 1.2% to HK\$8,630 million. Excluding the change in fair value of investment properties and the related deferred tax, net profit from underlying businesses attributable to equity shareholders increased by 42.9% to HK\$3,903 million mainly on the back of increased property development profits. Including investment property revaluation, our net profit attributable to equity shareholders was HK\$4,498 million and earnings per share were HK\$0.79. Your Board has declared an interim dividend of HK\$0.14 per share.

Growth Strategy

Following various Government approvals, our growth strategy in Hong Kong takes another step forward. Our five strategic line extensions, namely the Shatin to Central Link, the Kwun Tong Line Extension to Whampoa, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link to the Mainland of China, the South Island Line (East), and the West Island Line, made substantial progress during the period. In addition, the Kowloon Southern Link with the new Austin Station will open on 16 August 2009 while the LOHAS Park Station on the Tseung Kwan O Line opened on 26 July 2009.


Our Mainland of China and international businesses continued to progress, with Beijing Metro Line 4 targeted to open in the fourth quarter of 2009. Concession Agreements for the Shenzhen Metro Line 4 project and the Operations and Maintenance of Shenyang Metro Lines 1 and 2 were signed. We were also awarded the Stockholm Metro Concession in January and in June, our 60% owned subsidiary, Metro Trains Melbourne, was selected as the preferred bidder to operate Melbourne's metropolitan train network.

Sustainability and Corporate Responsibility

Sustainable development has become a priority for both governments and businesses around the world, especially in an era of climate change, increasingly interlinked economies and concerted global measures to develop clean technologies. We continue to deepen our commitment to fostering sustainable development and to contributing to the wellbeing of the communities that we serve.

As part of our corporate commitment to sustainable development, we established in 2008 the Corporate Responsibility Committee, a subcommittee of the Board, to integrate corporate responsibility practices into our overall business. The Committee held its first meeting in March 2009, with the Board approving the updated Corporate Responsibility Policy in May. Development of a management framework and initiatives in support of the policy's six tenets covering our customers, communities, staff, investors, business practices and the environment are being planned in an ongoing programme.

For energy reduction measures, we expanded the trial of environmentally friendly and energy-efficient High Brightness Light Emitting Diode (HB-LED) lights on board trains during the first half of the year. The new HB-LED system, consuming 30% less electricity and with improved reliability and lighting, was fitted in a Tsuen Wan Line train in February this year. The system will be tested for use in stations in August.



Several other initiatives on electricity management were undertaken during the period, such as temperature optimisation at stations, and optimisation of train speed and coasting. We also commenced discussions with the Clinton Climate Initiative for a project on energy efficiency to establish best practices for worldwide reference.

Our efforts to incorporate sustainable best practices into all our business decisions continued to attract international recognition. In March, we were again recognised as a Sustainability Leader within the global travel and tourism industry sector, winning a Bronze Class Award from Sustainable Asset Management. We also retained our listings on the internationally recognised Dow Jones Sustainability Indexes and FTSE4Good Index series. In April, we won the Silver Sectoral Award in the transport and logistics sector of the 2008 Hong Kong Awards for Environmental Excellence. In May, we were recognised for public disclosure of environmental, social and governance issues, ranking first among local companies and second among 50 listed companies in Asia in the league tables organised by Responsible Research.

In June, we published our eighth annual Sustainability Report 2008, *Engagement*, which focuses on stakeholder engagement as our business driver to ensure ongoing organisational development after the Rail Merger. A highlight of the report is "Bridging Generations" - a timeline showing how MTR Corporation has grown sustainably with Hong Kong over the last 40 years.

Providing a hygienic travelling environment to our passengers is of paramount importance to us. In the first part of the year, and in particular after the HKSAR Government raised the Influenza Pandemic Response level to "Emergency" in early May, we took decisive and timely measures to protect passengers against human swine influenza transmission. We enhanced the hygienic environment for passengers in all trains and stations and we educated staff and the general public on the potential dangers of contagion and on personal hygiene etiquette.

Community Initiatives

We continue to encourage our colleagues to take part in community service. During the first six months of the year, there were 69 volunteering community service projects under our "More Time Reaching Community" scheme involving around

1,000 volunteers. Seven of these activities were in support of Employee Volunteer Week, the Hong Kong campaign for promoting employee volunteering organised by Community Business. In April, the fifth MTR HONG KONG Race Walking event was held in Central and over HK\$1 million was raised for the Hospital Authority Health InfoWorld to promote healthy living.

In a further initiative, we announced a new Half Fare Promotion Scheme for both the recipients under the Comprehensive Social Security Assistance Scheme aged between 12 and 64 with 100% disability, and the recipients of Disability Allowance in the same age group, to be implemented after the amendments to the Disability Discrimination Ordinance are passed. Our fare concessions for the elderly, children and students continued and we launched a major customer service campaign to promote the caring image of the Company.

Conclusion

The second half of the year will continue to be challenging for the local economy. The problems in the financial systems of the USA and Europe, and the dramatic fall in trade that has affected leading economic powers such as the USA and to some extent China, will take a considerable time to work their way through the global economy. There is no doubt that Hong Kong will continue to be affected by these negative factors, as well as by the ongoing human swine influenza pandemic.

However, despite these negative factors, our businesses remain robust and with the soundness of our Board governance, the excellence of our management and staff, the loyalty of our customers and the trust of our shareholders, I believe the Company will not only successfully weather this economic storm but will continue to prosper. As we build on our strong foundations in these challenging times, I would like to thank my fellow directors, our staff and all our stakeholders for their continued support. I would also like to welcome Mr Vincent Cheng Hoi-chuen who joined the Board in July 2009 as an independent non-executive Director of the Company.



Dr. Raymond Ch'ien Kuo-fung, *Chairman*
Hong Kong, 11 August 2009