

Cash Refurbish Social Asset
 Stakeholder Engagement Asset Utilisation
Self-Sustaining Urban Transport
 Build Consensus Carbon Assessment Initiative
 Intergenerational Resource Efficiency Continuous Improvement
Economies of Scale Land Use Rights
 e-Orientated Development **Master Development Plan**
 **Enterprise Risk Management**
 development Approach Sustainable Competitive Advantage
 one Think **Anticipated Development**
 Commercial **Act Social** High Regional Connectivity
 Carbon Action Plan **Assets in Kind**
Rail and Property Model



MTR Corporation

caring for life's journey



How Do You Create a Self-Sustaining Urban Transport System?

1

Finance through land use rights

Purchase undeveloped land assets and secure air rights for above-station development.

Be commercial

Enhance land assets through rail infrastructure.

Accrue profits to the corporation and price services competitively.

Leverage property opportunities

The co-development approach brings commercial market expertise to the table.

Assets in kind secure long-term revenues.

Cash is a viable alternative when opportune.

Build consensus to secure optimisation

Stakeholder engagement guides anticipated development.

Transport hubs provide a sense of place and focus.

MTR Corporation Value to Government

(as of 30 June 2010)

HK\$ billion

Land premium	97.9
Market cap	118.2
Cash dividends	8.1
IPO proceeds	10.5
Initial investments by government	- 32.2
Government gain	202.5

Property and Other Businesses

(figures as at year-end 2009)

INVESTMENT

274,508 m²

lettable floor area



MANAGED

742,414 m²

commercial/office space



79,449

residential units



DEVELOPMENT RIGHTS

2.56 million m²



Station Commercial and Rail-Related Businesses

REVENUE GENERATED

17.7%

of total revenue for the year 2009



Anticipated Development: LOHAS Park

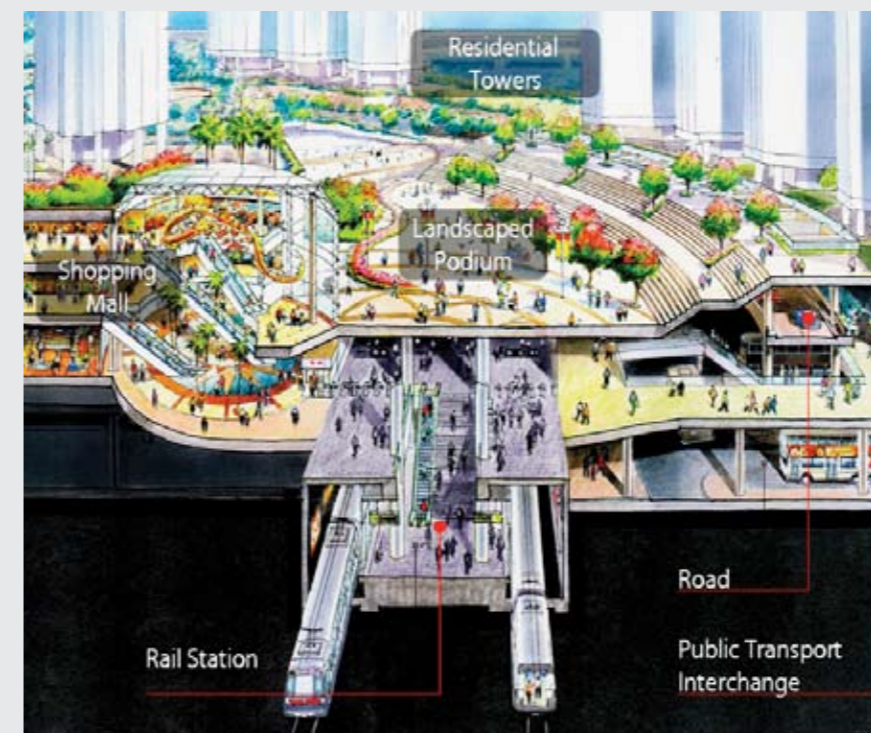
LOHAS Park is MTR Corporation's 21st century urban development model. Using property rights negotiated with government, the MTR plans a capacity of 50 residential towers that will be developed under 9 to 12 residential property packages in partnership with qualified property developers. The 330,000 m² estate is situated above a dedicated MTR rail station and train depot. Some 40% of the site area is green commons, including a 19,000 m² park and a 330 m seafront promenade. As of mid-2010, three packages have been tendered and nine out of the 50 planned towers have been completed.

The Master Development Plan that guides development is an evolving vision in modern lifestyle aspirations. Buildings are configured to maximise air flows and green views. The Plan emphasises green and open community spaces, environmental efficiency, barrier-free access to amenities and the proximity of service facilities. New technologies are easily accommodated, such as the recent installation of electric-car charging stations. All developments tendered from 2009 onwards are required to achieve BEAM Plus certification, ensuring best environmental performance. A dedicated solid waste management programme and a grey-water recycling system serve Park facilities. Treated water is used to water landscaped gardens and clean common areas.

The multilevel rail station serves as the principal transport hub for the community, connecting people to Hong Kong's regional commercial and entertainment centres and providing interchange facilities to other public transport modes. MTR LOHAS Park Station opened in 2009.

www.lohaspark.com.hk

www.hk-beam.org.hk



Insight

Connect the Disconnect of Transport and Town Planning

The parallel consideration and integration of transport and town planning advance new land use models for 21st century urban development needs. Acknowledging desired speed and accessibility, sustainable rail transport redistributes land use through expansive networks that create broad connectivity linked by a system of centres and sub-centres. This combination of high regional connectivity and distant station spacing translates into denser, more nodal urban development that simultaneously creates opportunities for high-quality open spaces between centres.

Employing a co-development approach, the transit entity controls the strategic land and development uses while encouraging private financing alternatives underpinned by land use rights. Such transit-orientated planning synergises patronage and the social and commercial activities within station proximity.

The low carbon, environmentally productive open spaces between centres capture community aspirations and promote further usage such as those devoted to long-term climate change adaptation and mitigation strategies.

How Do You Think Commercial and Act Social?

2

Work the asset for operational efficiency

Employ design systems that are easily upgraded or replaced with more advanced technologies. Inefficiencies and poor performance cost resources.

Harness the supply chain as a source of competitive advantage

Partnership fosters innovation, new technologies, internal learning, skills sharing and alternative financing.

Create value through the culture of continuous improvement

Productivity is found in small cumulative actions.

Build in resilience to intergenerational use

Respond to evolving social aspirations.

Leverage design and construction methods to endure a century of environmental and social challenges.

OPERATING MARGIN

50.6%
including assets
ex-Hong Kong

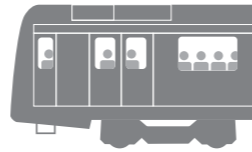


CoMET Benchmarking Results 2008

MTR performance vs Best performance (%)
(Best performance = 100)

ASSET UTILISATION

100
capacity-km
per route-km



STAFF EFFICIENCY

60.4
car-km per
total labour hours



SAFETY RATIO

100
fatality per billion
passenger journeys



SERVICE COSTS

64.3
operating costs
per car-km (US\$ PPP)



The Revitalisation of London Overground

The London Overground Rail Operations Ltd. (LOROL) is a joint venture between the MTR Corporation and Deutsche Bahn AG for a seven-year operating concession under the franchise control of Transport of London. Our strategy is to translate MTR's core competencies into the revitalisation and positioning of LOROL as a primary and profitable London transport operator. Our value is our approach to risk management, infrastructure project implementation and rolling stock reliability improvement.

Since concession commencement in 2007, LOROL has undertaken extensive station refurbishment, installed technologies such as Oyster card ticketing systems and introduced a laptop-based station KPI monitoring system. We implemented back-of-house systems management for better operations and rolling stock performance. At the customer interface, we are reshaping the service mindset and have instituted new services such as placement of on-hand station personnel and customer services staff during operating hours. We have enhanced security measures and installed user-friendly information communication points.



Patronage is up 15%
since 2007

Fare revenues up
approximately 15%
since 2007

Fare evasion less than
3%, versus estimated
15% prior to concession

Passenger satisfaction
up from approximately
70% in 2009 to 78% in
2010

Insight

Public Transport Revitalisation: Rezone, Refurbish, Refinance

Sustainable public transport revitalisation considers key policy levers city governments have at their disposal. Exercising these levers promotes public transport as a core societal asset.

Rezoning existing properties linked or adjacent to transport systems invites permissive and incentive-based private sector participation. Attracting local investment under a master plan shapes and reconfigures station area development to promote local economic and social activities. This controlled management of synergies between railway and communities enhances patronage by changing a transit hub into a "place to be" rather than "a place to pass through".

Refurbishing or rebuilding the supportive infrastructure maximises operational efficiencies and service capabilities. Engaging stakeholders, local communities and the supply chain balances social expectations and investment priorities. Building in asset flexibility facilitates better management of environmental impacts and long-term social changes.

Refinancing is best optimised through structures that allocate private participation incentives and encourage income generation linked to land appreciation values. Benefits to city governments can be achieved through such increased value as well as the economic activity fostered by a revitalised transport infrastructure and the local ancillary investments made.

How Do You Put the LOW into Lowering Carbon Emissions?

3

Develop a transport model that allocates the most efficient use of natural resources

Consider urban planning as high-density commercial/community clusters connected by high-speed rail.

Balance social aspirational efficiency against the consumption demand for natural resources.

Engage the supply chain to disseminate sustainable best practices and bring innovation to the table.

Transform carbon management in operating assets

Think in economies of scale. Focus on programmes adaptable across functions and business units.

Refurbish assets. Optimise innovation and supply chain expertise. Leverage energy service company partnerships for performance improvement within a guaranteed financial framework.

Balance the carbon costs across an asset's life

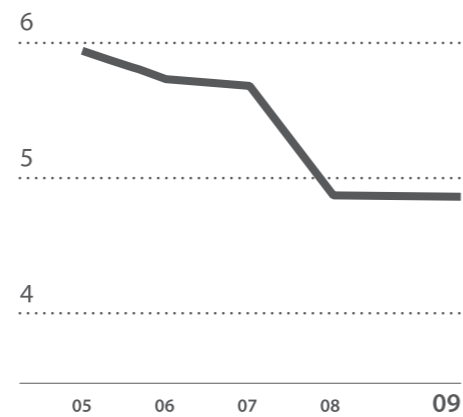
Change the mindset to managing emissions in asset life cycles. Think across design, construction, operations, maintenance and end-of-life recycling.

MTR's Carbon Assessment Initiative introduces a carbon management protocol model for how rail systems are designed, constructed and operated.

ELECTRICITY EFFICIENCY OF RAIL ASSETS

4.86

per revenue car-km (KWh/car-km)

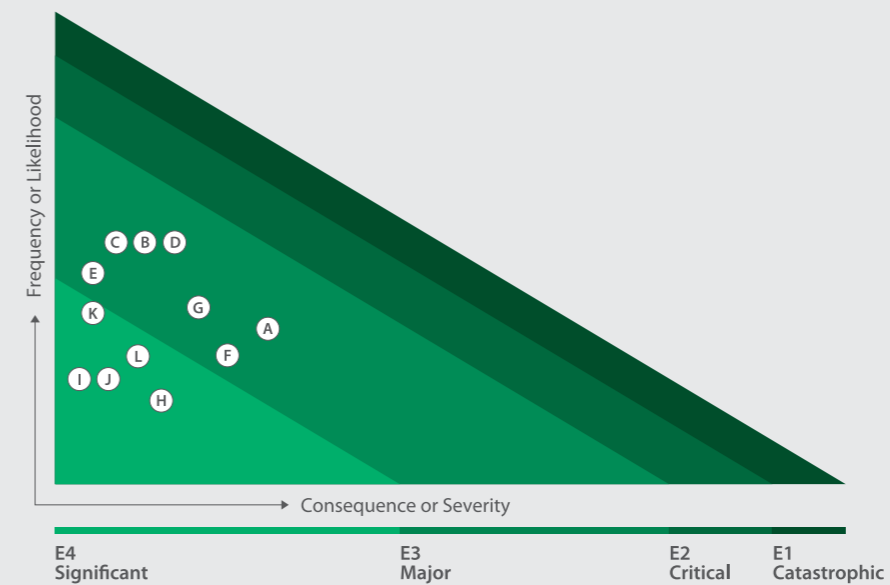


Enterprise Risk Management – Climate Change

The Enterprise Risk (E) Management framework drives the climate change management process for working assets. It utilises a disciplined methodology that identifies and assesses risks, prioritising them into specific impact categories. The dedicated Enterprise Risk Committee monitors the development of risks on a regular basis and evaluates the need for further action to be taken at either the divisional (E3, E4) or corporate level (E1, E2).

All risks are managed appropriately, being allocated to relevant risk registers wherein prioritisation, ownership, mitigation, monitoring and reporting are undertaken. These occur in a continuous and accountable process that is responsive to both changing business environments and influences of stakeholders. The natural environment is considered a principal stakeholder of the process.

CLIMATE CHANGE RISK MAP



Climate change risks affecting business continuity:

- | | |
|---|--|
| E3 | E4 |
| (A) Pandemics | (H) Reputation impacts |
| (B) Increased electricity costs | (I) (J) Fire risks within North Lantau Country Park |
| (C) Increased electricity use | (K) Breaching environmental permits due to ecological collapse |
| (D) Additional ventilation and cooling assets | (L) Rail buckling |
| (E) Increased deterioration of infrastructure | |
| (F) Flooding affecting operations | |
| (G) Unforeseen regulatory pressure | |

Insight

Carbon-Crediting Rail Transport

Rail-based transport delivers the best energy optimisation across public transport sector modes. It brings significant carbon emissions avoidance by promoting mode shift (avoidance of private vehicle trips), road congestion relief (improved fuel efficiency) and, significantly, a land-use multiplier (compact land use that allows alternatives in social, environmental or economic purposes).

The derived financial benefits or carbon-saving rewards of such emissions avoidance have yet to be established within a mechanism recognised under the formalised global climate change agenda. Industry participants, including the MTR Corporation, support the initiatives taken by the International Association of Public Transport (UITP) in advocating the role of rail transport within the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC).

Development and recognition of a rail transport carbon-saving agenda could provide opportunity for additional financial support and existing systems expansion. A next-step alternative would be to leverage the political and economic resources of existing cities and regions, establishing public transport in those under-developed areas presently not or poorly served by mass transit systems.

MTR Operating Network with Future Extensions

Legend

- Station
- Interchange Station
- Proposed Station
- Proposed Interchange Station
- Cable Car Ngong Ping 360
- Shenzhen Metro Network
- Racing days only

Existing Network

- Airport Express
- Disneyland Resort Line
- East Rail Line
- Island Line
- Kwun Tong Line
- Light Rail
- Ma On Shan Line
- Tseung Kwan O Line
- Tsuen Wan Line
- Tung Chung Line
- West Rail Line

Projects in Progress

- Guangzhou-Shenzhen-Hong Kong Express Rail Link
- West Island Line

Extensions under Study

- Kwun Tong Line Extension
- Shatin to Central Link
- South Island Line (East)

Potential Future Extensions

- North Island Line
- Northern Link
- South Island Line (West)

Properties Owned / Developed / Managed by the Corporation

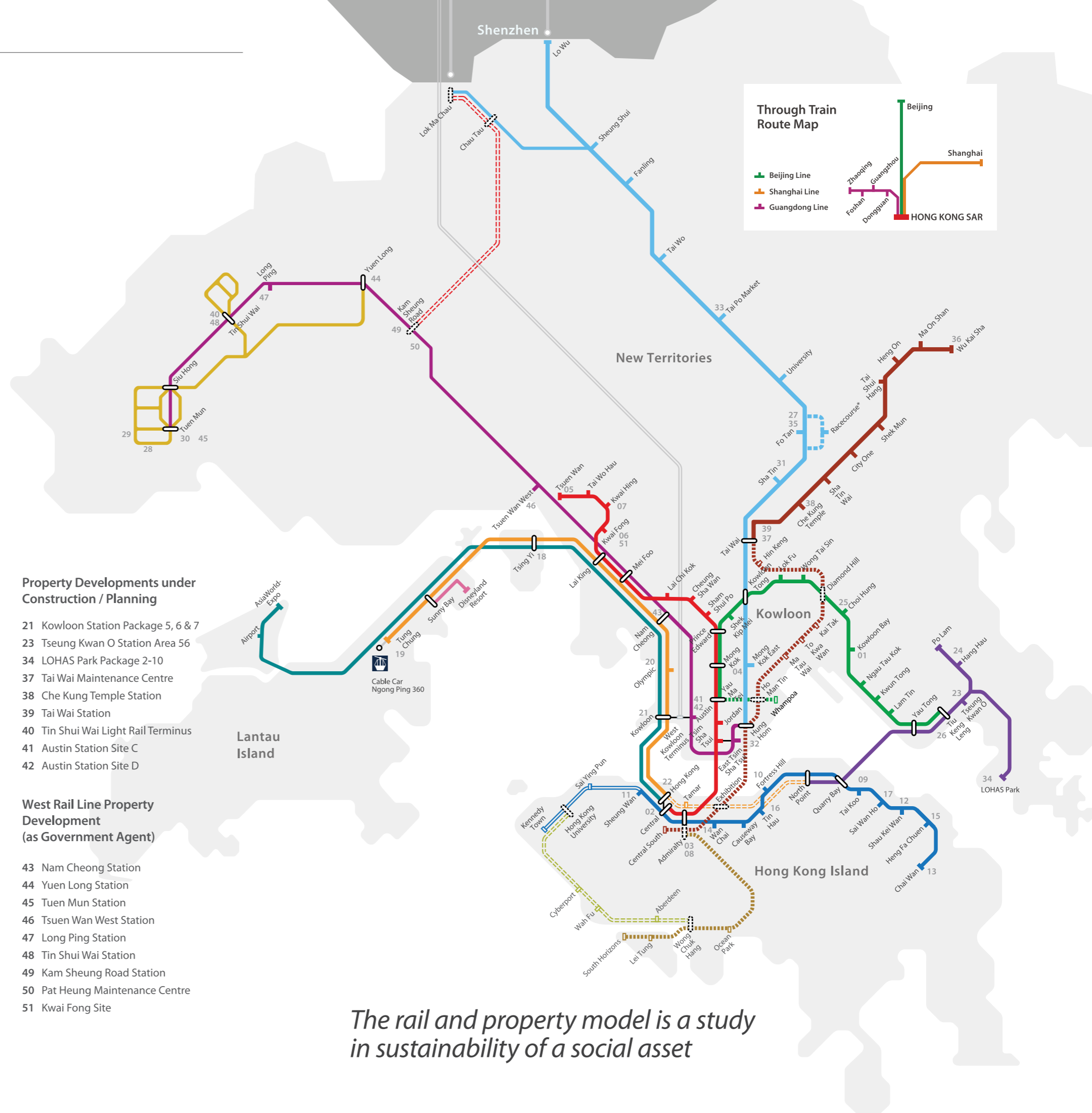
- 01 Telford Gardens / Telford Plaza I and II
- 02 World-wide House
- 03 Admiralty Centre
- 04 Argyle Centre
- 05 Luk Yeung Sun Chuen / Luk Yeung Galleria
- 06 New Kwai Fong Gardens
- 07 Sun Kwai Hing Gardens
- 08 Fairmont House
- 09 Kornhill / Kornhill Gardens
- 10 Fortress Metro Towers
- 11 Hongway Garden / Vicwood Plaza
- 12 Perfect Mount Gardens
- 13 New Jade Garden
- 14 Southorn Garden
- 15 Heng Fa Chuen / Heng Fa Villa / Paradise Mall
- 16 Park Towers
- 17 Felicity Garden
- 18 Tierra Verde / Maritime Square
- 19 Tung Chung Crescent / Citygate / Novotel Citygate / Seaview Crescent / Coastal Skyline / Caribbean Coast
- 20 Central Park / Island Harbourview / Park Avenue / Harbour Green / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two
- 21 The Waterfront / Sorrento / The Harbourside / The Arch / Elements / The Cullinan / The Harbourview Place / International Commerce Centre / W Hong Kong
- 22 One International Finance Centre / Two International Finance Centre / IFC Mall / Four Seasons Hotel / Four Seasons Place
- 23 Central Heights / The Grandiose / The Edge
- 24 Residence Oasis / The Lane
- 25 No.8 Clear Water Bay Road / Choi Hung Park & Ride
- 26 Metro Town
- 27 Royal Ascot / Plaza Ascot
- 28 Pierhead Garden / Ocean Walk
- 29 Sun Tuen Mun Centre / Sun Tuen Mun Shopping Centre
- 30 Hanford Garden / Hanford Plaza
- 31 Citylink Plaza
- 32 MTR Hung Hom Building / Hung Hom Station Carpark
- 33 Trackside Villas
- 34 The Capitol
- 35 The Palazzo
- 36 Lake Silver

Property Developments under Construction / Planning

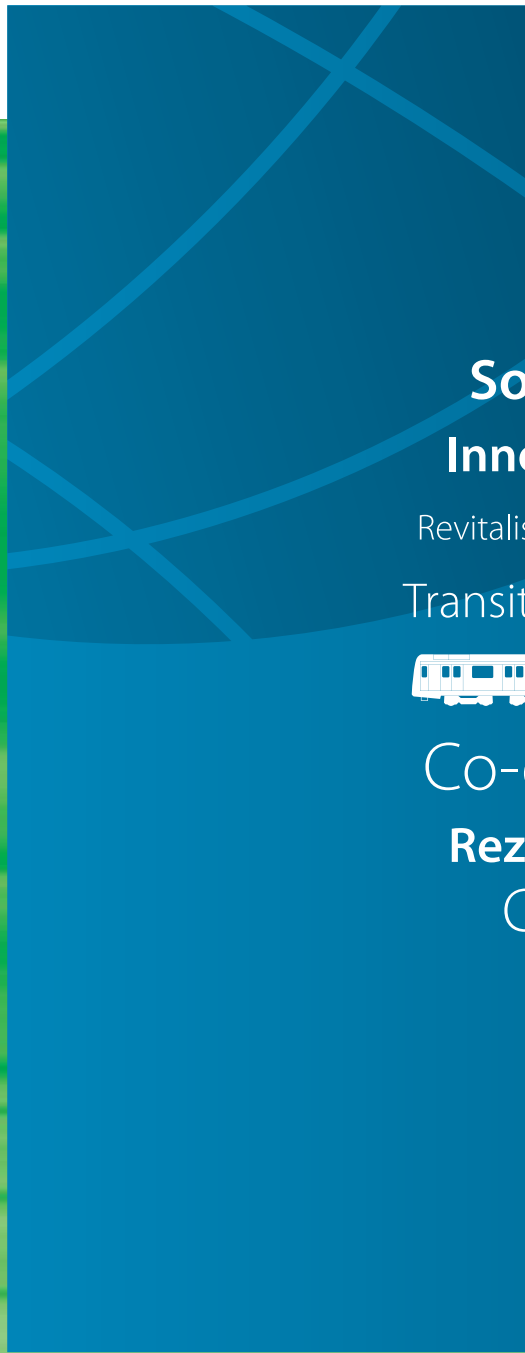
- 21 Kowloon Station Package 5, 6 & 7
- 23 Tseung Kwan O Station Area 56
- 34 LOHAS Park Package 2-10
- 37 Tai Wai Maintenance Centre
- 38 Che Kung Temple Station
- 39 Tai Wai Station
- 40 Tin Shui Wai Light Rail Terminus
- 41 Austin Station Site C
- 42 Austin Station Site D

West Rail Line Property Development (as Government Agent)

- 43 Nam Cheong Station
- 44 Yuen Long Station
- 45 Tuen Mun Station
- 46 Tsuen Wan West Station
- 47 Long Ping Station
- 48 Tin Shui Wai Station
- 49 Kam Sheung Road Station
- 50 Pat Heung Maintenance Centre
- 51 Kwai Fong Site



The rail and property model is a study in sustainability of a social asset



MTR Corporation Limited

MTR Headquarters Building
Telford Plaza, Kowloon Bay
Hong Kong SAR

www.mtr.com.hk

