

Notes to the Summary Financial Statements

1 Statement of Compliance

These summary financial statements have been prepared from the audited accounts of MTR Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and the Group's interest in non-controlled subsidiaries and associates for the year ended 31 December 2010.

These summary financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. The HKFRSs are fully converged with International Financial Reporting Standards in all material respects.

The HKICPA has issued the following new HKFRS, amendments to HKFRSs or new Interpretations that are first effective for the current accounting period of the Group and relevant to the Group's accounts:

- Revised HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards*
- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*
- HK(IFRIC) 17, *Distribution of non-cash assets to owners*
- HK(Int) 5, *Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause*
- Improvements to HKFRSs (2009)
- Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards – Additional exemptions for first-time adopters*
- Amendments to HKFRS 2, *Share-based payment – Group cash-settled share-based payment transactions*

The "Improvements to HKFRSs (2009)" comprises 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 relating to HKAS 17, *Leases*, has impact on the Group's accounts. As a result of the amendment to HKAS 17, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that its interests in leasehold land, which are registered and located in the Hong Kong Special Administrative Region ("HKSAR") and subject to the HKSAR Government's land policy of renewal without payment of additional land premium, are no longer classified as operating leases. The Group's position in respect of its interests in leasehold land is economically similar to that of a purchaser and therefore such interests of leasehold land should be re-classified as finance leases. In accordance with the amendment to HKAS 17, this change in accounting policy has been applied retrospectively. Corresponding amounts of previous periods have been re-classified with the balance of prepaid land lease payments as at 31 December 2009 of HK\$554 million (1 January 2009: HK\$567 million) re-classified as other property, plant and equipment on the consolidated and the Company's balance sheets and the related amortisation for the year ended 31 December 2009 of HK\$13 million re-classified from other expenses to depreciation and amortisation in the consolidated profit and loss account.

Other HKFRS developments have no material impact on the Group's accounts as the amendments and interpretations are consistent with policies already adopted by the Group.

2 Rail Merger with Kowloon-Canton Railway Corporation ("KCRC")

On 2 December 2007 (the "Appointed Day"), the Company's operations merged with those of KCRC ("Rail Merger"). The structure and key terms of the Rail Merger were set out in a series of transaction agreements entered into between, inter alia, the Government of the HKSAR ("Government"), KCRC and the Company including the Service Concession Agreement, Property Package Agreements and Merger Framework Agreement. Key elements of the Rail Merger included the following:

- The expansion of the Company's existing franchise under the Mass Transit Railway Ordinance ("MTR Ordinance") to cover the construction, operation and regulation of railways in addition to the MTRC railway for an initial period of 50 years from the Appointed Day ("Franchise Period"), which may be extended pursuant to the provisions of the MTR Ordinance;
- The Service Concession Agreement ("SCA") pursuant to which KCRC granted the Company the right to access, use and operate the KCRC system for an initial term of 50 years (the "Concession Period"), which will be extended if the Franchise Period (as it relates to the KCRC railway) is extended. The SCA also sets out the basis on which the KCRC system will be returned at the end of the Concession Period. In accordance with the terms of the SCA, the Company paid an upfront lump sum to KCRC on the Appointed Day and is obliged to pay an annual fixed payment to KCRC for the duration of the Concession Period. Additionally, commencing after three years from the Appointed Day, the Company is obliged to pay a variable annual payment to KCRC based on the revenue generated from the KCRC system above certain thresholds;
- Under the SCA, the Company is responsible for the expenditure incurred in relation to the maintenance, repair, replacement and upgrade of the KCRC system (with any new assets acquired being classified as "additional concession property"). To the extent that such expenditure exceeds an agreed threshold ("Capex Threshold"), the Company will be reimbursed for any above threshold expenditure at the end of the Concession Period with such reimbursement to be on the basis of depreciated book value;
- In the event that the Concession Period is extended, the fixed annual payment and the variable annual payment will continue to be payable by the Company. On such extension, the Capex Threshold may also be adjusted; and

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2 Rail Merger with Kowloon-Canton Railway Corporation ("KCRC") (continued)

- Property Package Agreements and Merger Framework agreement setting out the acquisition of certain properties, property management rights and property development rights by the Company as well as the framework for the Rail Merger including the implementation of the Fare Adjustment Mechanism.

3 Remuneration of Members of the Board and the Executive Directorate

A Remuneration of Members of the Board and the Executive Directorate

- (i) The emoluments of the Members of the Board and the Executive Directorate of the Company were as follows:

in HK\$ million	Fees	Base pay, allowances and benefits in kind	Retirement scheme contribution	Variable remuneration related to performance	Total
2010					
Members of the Board					
– Raymond Ch'ien Kuo-fung	1.2	–	–	–	1.2
– Vincent Cheng Hoi-chuen	0.3	–	–	–	0.3
– Christine Fang Meng-sang	0.3	–	–	–	0.3
– Edward Ho Sing-tin	0.4	–	–	–	0.4
– Alasdair George Morrison (appointed on 9 July 2010)	0.1	–	–	–	0.1
– Ng Leung-sing	0.3	–	–	–	0.3
– Abraham Shek Lai-him	0.3	–	–	–	0.3
– T. Brian Stevenson	0.4	–	–	–	0.4
– Ceajer Chan Ka-keung	0.3	–	–	–	0.3
– Eva Cheng	0.3	–	–	–	0.3
– Joseph Lai Yee-tak	0.3	–	–	–	0.3
Members of the Executive Directorate					
– Chow Chung-kong	–	6.8	–*	7.1	13.9
– Russell John Black (retired on 31 January 2010)	–	0.8	–*	0.1	0.9
– William Chan Fu-keung	–	4.7	0.2	1.9	6.8
– Chew Tai-chong (appointed on 1 February 2010)**	–	3.8	–*	1.6	5.4
– Thomas Ho Hang-kwong	–	4.5	0.2	1.9	6.6
– Lincoln Leong Kwok-kuen	–	5.0	0.8	2.0	7.8
– Andrew McCusker (retired on 31 December 2010)	–	4.6	0.2	1.8	6.6
– Leonard Bryan Turk	–	4.4	0.2	1.9	6.5
	4.2	34.6	1.6	18.3	58.7

* During the year ended 31 December 2010, the total contributions paid by the Company for C K Chow and T C Chew, who participated in the MTR MPF Scheme, were HK\$12,000 and HK\$7,000 respectively. The contribution paid by the Company for Russell J Black, who participated in the MTR Retirement Scheme, was HK\$17,484.

** T C Chew was appointed as Member of the Executive Directorate since 1 February 2010. The amount of the emoluments shown in the above table covered the period from 1 February 2010 to 31 December 2010.

3 Remuneration of Members of the Board and the Executive Directorate *(continued)*

A Remuneration of Members of the Board and the Executive Directorate *(continued)*

in HK\$ million	Fees	Base pay, allowances and benefits in kind	Retirement scheme contribution	Variable remuneration related to performance	Total
2009					
Members of the Board					
– Raymond Ch'ien Kuo-fung	1.2	–	–	–	1.2
– Cheung Yau-kai (retired on 4 June 2009)	0.1	–	–	–	0.1
– Vincent Cheng Hoi-chuen (appointed on 10 July 2009)	0.1	–	–	–	0.1
– Christine Fang Meng-sang	0.3	–	–	–	0.3
– Edward Ho Sing-tin	0.4	–	–	–	0.4
– Ng Leung-sing	0.3	–	–	–	0.3
– Abraham Shek Lai-him	0.3	–	–	–	0.3
– T. Brian Stevenson	0.4	–	–	–	0.4
– Ceajer Chan Ka-keung	0.3	–	–	–	0.3
– Eva Cheng	0.3	–	–	–	0.3
– Alan Wong Chi-kong (up to 16 August 2009)	0.2	–	–	–	0.2
– Joseph Lai Yee-tak (since 17 August 2009)	0.1	–	–	–	0.1
Members of the Executive Directorate					
– Chow Chung-kong	–	6.5	–*	7.3	13.8
– Russell John Black	–	4.5	1.0	1.9	7.4
– William Chan Fu-keung	–	4.3	0.9	1.9	7.1
– Thomas Ho Hang-kwong	–	4.6	0.9	1.9	7.4
– Lincoln Leong Kwok-kuen	–	4.7	0.8	2.0	7.5
– Andrew McCusker	–	4.5	0.9	1.9	7.3
– Leonard Bryan Turk	–	4.3	0.9	1.9	7.1
	4.0	33.4	5.4	18.8	61.6

* During the year ended 31 December 2009, the total contributions paid by the Company for C K Chow, who participated in the MTR MPF Scheme, were HK\$12,000.

Russell J Black and Andrew McCusker received a lump sum benefit payment of HK\$20.8 million and HK\$20.7 million respectively from the MTR Retirement Scheme upon their retirements in January 2010 and December 2010 respectively.

In addition, on 1 December 2009, C K Chow was paid HK\$11.3 million, representing his entitlement to receive an equivalent value in cash of 418,017 shares on completion of his three-year contract ended on 30 November 2009. On 12 April 2010, Lincoln K K Leong was paid HK\$4.6 million, representing the derivative interest granted to him on 12 April 2007 to receive an equivalent value in cash of 160,000 shares.

The above emoluments do not include the fair value of share options, as estimated at the date of grant which is defined as the date of acceptance of the offer to grant the option.

Share options were granted to Members of the Executive Directorate under the Company's 2007 Option Scheme, which were offered to them on 10 December 2007, 8 December 2008, 12 June 2009, 8 December 2009, 28 June 2010 and 16 December 2010. The entitlements of each of the Members are as follows:

- C K Chow was granted options in respect of 720,000 shares on 13 December 2007 and 470,000 shares each on 9 December 2008, 9 December 2009 and 17 December 2010, of which 554,000 options were vested in 2010 (2009: 397,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$2.5 million (2009: HK\$1.7 million);

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3 Remuneration of Members of the Board and the Executive Directorate *(continued)*

A Remuneration of Members of the Board and the Executive Directorate *(continued)*

- Lincoln K K Leong was granted options in respect of 170,000 shares each on 12 December 2007, 9 December 2008, 10 December 2009 and 17 December 2010, of which 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.7 million (2009: HK\$0.5 million);
- Leonard B Turk was granted options in respect of 170,000 shares each on 12 December 2007, 9 December 2008 and 10 December 2009 and 127,500 shares on 17 December 2010, of which 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.7 million (2009: HK\$0.5 million);
- Russell J Black was granted options in respect of 170,000 shares each on 12 December 2007 and 9 December 2008 and 42,500 shares on 10 December 2009, of which 127,500 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.5 million (2009: HK\$0.4 million);
- Thomas H K Ho was granted options in respect of 170,000 shares each on 12 December 2007, 11 December 2008 and 14 December 2009 and 127,500 shares on 17 December 2010, of which 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.8 million (2009: HK\$0.5 million);
- Andrew McCusker was granted options in respect of 170,000 shares each on 12 December 2007, 12 December 2008 and 10 December 2009, of which 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.7 million (2009: HK\$0.5 million);
- William F K Chan was granted options in respect of 170,000 shares each on 13 December 2007, 9 December 2008, 10 December 2009 and 17 December 2010, of which 170,000 options were vested in 2010 (2009: 114,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.8 million (2009: HK\$0.5 million);
- Chew Tai-chong was granted options in respect of 85,000 shares on 18 June 2009 and 170,000 shares each on 10 December 2009 and 17 December 2010, of which 85,500 options were vested in 2010 (2009: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.5 million (2009: HK\$0.1 million); and
- Jacob Kam Chak-pui replaced Andrew McCusker, who retired from the Company on 31 December 2010, as a Member of the Executive Directorate with effect from 1 January 2011. Under the 2007 Option Scheme, Jacob C P Kam was granted options in respect of 75,000 shares on 13 December 2007, 65,000 shares each on 8 December 2008 and 14 December 2009, 50,000 shares on 21 July 2010 and 170,000 shares on 17 December 2010, of which 69,000 options were vested in 2010 (2009: 47,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2010 was HK\$0.3 million (2009: HK\$0.2 million).

The details of directors' interest in the Company's shares are disclosed under the paragraph "Board Members' and Executive Directorate's Interests in Shares" of the Report of the Members of the Board.

(ii) On 1 December 2009, C K Chow was granted a derivative interest in respect of 222,161 shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). The derivative interest represents C K Chow's entitlement to receive an equivalent value in cash of 222,161 shares upon completion of his existing contract on 31 December 2011.

The arrangement was offered to C K Chow in order to provide a competitive level of compensation which is also closely tied to the performance of the Company.

(iii) The aggregate emoluments of Members of the Board and the Executive Directorate for the year pursuant to section 161 of the Hong Kong Companies Ordinance was HK\$70.5 million (2009: HK\$77.5 million).

(iv) 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 (Chapter 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. Dr. Raymond Ch'ien Kuo-fung, a Member of the Board, was appointed as the non-executive Chairman of the Company with effect from 21 July 2003 for a term of three years. In July 2006, he was re-appointed as the non-executive Chairman of the Company until 31 July 2007. In July 2007, Dr. Ch'ien was re-appointed as the non-executive Chairman of the Company with effect from 1 August 2007 for a term up to 31 December 2007 or the day to be appointed by the Secretary for Transport and Housing by notice published in the Gazette under the Rail Merger Ordinance, whichever was the earlier. On 8 August 2007, he was appointed as the non-executive Chairman of the Company after the Rail Merger for a term of two years commencing from 2 December 2007. On 11 November 2009, he was re-appointed as the non-executive Chairman of the Company with effect from 2 December 2009 to 31 December 2012.

All of the five individuals with the highest emoluments are Members of the Executive Directorate whose emoluments are disclosed above.

B Share Options

Options exercised and outstanding in respect of each Member of the Executive Directorate as at 31 December 2010 are set out under the paragraph "Board Members' and Executive Directorate's Interests in Shares" of the Report of the Members of the Board. Details of the options granted to Members of the Executive Directorate are as follows:

3 Remuneration of Members of the Board and the Executive Directorate (continued)

B Share Options (continued)

(i) Pre-Global Offering Share Option Scheme

Under the Company's Pre-Global Offering Share Option Scheme (the "Pre-IPO Option Scheme"), each Member of the Executive Directorate, except C K Chow, Lincoln K K Leong, Andrew McCusker and T C Chew, was granted options on 20 September 2000 to acquire 1,066,000 shares. C K Chow, Lincoln K K Leong and T C Chew joined the Company on 1 December 2003, 1 February 2002 and 11 May 2009 respectively, and are not beneficiaries of the Pre-IPO Option Scheme. Andrew McCusker and Jacob C P Kam were granted options of 266,500 and 117,500 shares respectively on 20 September 2000 under the Pre-IPO Option Scheme and no additional share options were granted upon their appointments as Members of the Executive Directorate on 1 October 2005 and 1 January 2011 respectively.

Under the vesting terms of the Pre-IPO Option Scheme, each eligible Member of the Executive Directorate must continue to beneficially own (i) at all times after 26 October 2001, at least 23,000 shares; and (ii) at all times after 26 October 2002, at least 46,000 shares, in each case, up to and including the date on which he has exercised his option in full or the date on which his option lapses (whichever is earlier). The Pre-IPO Option Scheme expired on 11 September 2010.

(ii) New Joiners Share Option Scheme

Under the New Joiners Share Option Scheme (the "New Option Scheme"), Lincoln K K Leong, a Member of the Executive Directorate, was granted options to acquire 1,066,000 shares on 1 August 2003.

Under the vesting terms of the New Option Scheme, Lincoln K K Leong must continue to beneficially own (i) at all times on and after 4 August 2004, at least 23,000 shares; and (ii) at all times on and after 4 August 2005, at least 46,000 shares, up to and including the date on which he has exercised his option in full or the date on which his option lapses (whichever is earlier).

(iii) 2007 Share Option Scheme

Under the 2007 Share Option Scheme (the "2007 Option Scheme"), all Members of the Executive Directorate were granted options to acquire shares in 2007, 2008, 2009 and 2010. C K Chow was granted options to acquire 720,000 shares in 2007 and 470,000 shares each in 2008, 2009 and 2010. William F K Chan and Lincoln K K Leong were each granted options to acquire 170,000 shares in each of 2007, 2008, 2009 and 2010. Thomas H K Ho and Leonard B Turk were each granted options to acquire 170,000 shares in each of 2007, 2008 and 2009 and 127,500 shares in 2010. Andrew McCusker was granted options to acquire 170,000 shares in each of 2007, 2008 and 2009. Russell J Black was granted options to acquire 170,000 shares in both 2007 and 2008 and 42,500 shares in 2009. T C Chew was granted options to acquire 85,000 shares in June 2009 and 170,000 shares each in December 2009 and 2010. Jacob C P Kam was granted options to acquire 75,000 shares in December 2007, 65,000 shares each in December 2008 and 2009, 50,000 shares in July 2010 and 170,000 shares in December 2010.

Under the vesting terms of the options granted in 2007, 2008, 2009 and 2010, options granted will be evenly vested in respect of their underlying shares over a period of three years from the date of grant such options (note 3A(i)).

4 Segmental Information

The Group manages its businesses by the various business executive committees. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following six reportable segments:

- (i) Hong Kong railway operations: The operation of an urban mass transit railway system within Hong Kong, an Airport Express serving both the Hong Kong International Airport and the AsiaWorld-Expo at Chek Lap Kok, cross-boundary railway service, light rail and bus services in the north-west New Territories, intercity passenger services and freight business.
- (ii) Hong Kong station commercial activities: Commercial activities including letting of advertising, retail and car parking space at railway stations, bandwidth services on the railway telecommunication system and rail related subsidiaries' businesses in Hong Kong.
- (iii) Hong Kong property rental and management: The letting of office, retail and car parking space in investment properties and the provision of estate management services in Hong Kong.
- (iv) Railway subsidiaries outside of Hong Kong: The operation and maintenance of mass transit railway systems including station commercial activities in relation to the railway systems outside Hong Kong.
- (v) Property developments: Property development at locations relating to the railway system in Hong Kong.
- (vi) All others: Including operations relating to the Ngong Ping 360, railway consultancy services, rental and estate management services in the Mainland of China and share of profits of non-controlled subsidiaries and associates.

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4 Segmental Information *(continued)*

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

in HK\$ million	Turnover		Contribution to profit	
	2010	2009	2010	2009
Hong Kong railway operations	12,486	11,530	2,795	2,123
Hong Kong station commercial activities	3,018	2,741	2,525	2,329
Hong Kong property rental and management	2,845	2,633	2,285	2,010
Railway subsidiaries outside of Hong Kong	10,144	1,043	241	5
All others	1,025	850	122	262
	29,518	18,797	7,968	6,729
Property developments			4,034	3,554
			12,002	10,283
Project studies and business development expenses			(216)	(206)
Merger related expenses			–	(12)
Interest and finance charges			(1,237)	(1,504)
Change in fair value of investment properties			4,074	2,798
Share of profits of non-controlled subsidiaries and associates			139	160
Income tax			(2,590)	(1,880)
Profit for the year			12,172	9,639

in HK\$ million	Assets		Liabilities	
	2010	2009	2010	2009
Hong Kong railway operations	93,069	104,946	21,656	24,071
Hong Kong station commercial activities	1,685	2,087	1,098	982
Hong Kong property rental and management	45,894	41,498	1,195	1,048
Railway subsidiaries outside of Hong Kong	8,779	6,478	2,350	1,764
Property developments	13,728	13,246	1,925	4,721
All others	2,225	2,203	171	118
	165,380	170,458	28,395	32,704
Unallocated assets and liabilities	16,285	6,036	35,977	37,337
Total	181,665	176,494	64,372	70,041

Unallocated assets and liabilities mainly comprise cash, bank balances and deposits, derivative financial assets and liabilities, interest-bearing loans and borrowings.

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

4 Segmental Information (continued)

in HK\$ million	Revenue from external customers		Specified non-current assets	
	2010	2009	2010	2009
Hong Kong (place of domicile)	19,177	17,525	149,073	142,211
Australia	7,239	549	123	43
Mainland of China	175	148	6,268	4,390
Sweden	2,858	494	151	124
Other countries	69	81	57	40
	10,341	1,272	6,599	4,597
	29,518	18,797	155,672	146,808

5 Fixed Assets and Railway Construction in Progress

A Investment Properties

in HK\$ million	2010	2009
Cost or Valuation		
At 1 January	40,993	37,737
Additions	247	123
Disposal	–	(17)
Change in fair value	4,074	2,798
Reclassification from assets under construction (note 5B)	–	352
At 31 December	45,314	40,993
Long leases	1,589	1,591
Medium-term leases	43,725	39,402
	45,314	40,993

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5 Fixed Assets and Railway Construction in Progress (continued)

B Other Property, Plant and Equipment

in HK\$ million	Leasehold land	Self- occupied land and buildings	Civil works	Plant and equipment	Assets under construction	Total
2010						
Cost or Valuation						
At 1 January 2010	732	2,120	46,507	61,026	1,366	111,751
Additions	–	–	–	187	1,729	1,916
Capitalisation adjustments *	–	–	(9)	(2)	–	(11)
Disposals / write-offs	–	–	(1)	(360)	(19)	(380)
Surplus on revaluation	–	283	–	–	–	283
Reclassification within other property, plant and equipment	–	–	12	(31)	19	–
Transfer to additional concession property (note 5C)	–	–	–	(6)	(68)	(74)
Other assets commissioned	–	–	133	699	(832)	–
Exchange differences	–	–	–	21	2	23
At 31 December 2010	732	2,403	46,642	61,534	2,197	113,508
At Cost	732	–	46,642	61,534	2,197	111,105
At 31 December 2010 Valuation	–	2,403	–	–	–	2,403
Aggregate depreciation						
At 1 January 2010	178	–	5,008	28,721	–	33,907
Charge for the year	13	58	403	2,232	–	2,706
Written back on disposal	–	–	(1)	(324)	–	(325)
Written back on revaluation	–	(58)	–	–	–	(58)
Exchange differences	–	–	–	2	–	2
At 31 December 2010	191	–	5,410	30,631	–	36,232
Net book value at 31 December 2010	541	2,403	41,232	30,903	2,197	77,276
2009						
Cost or Valuation						
At 1 January 2009, as previously reported	–	1,965	46,359	59,473	1,400	109,197
Reclassification on adoption of the amendment to HKAS 17 (note 1)	732	–	–	–	–	732
At 1 January 2009, as reclassified	732	1,965	46,359	59,473	1,400	109,929
Additions	–	–	–	195	1,498	1,693
Capitalisation adjustments *	–	–	–	(6)	–	(6)
Disposals / write-offs	–	–	(4)	(270)	(2)	(276)
Surplus on revaluation	–	155	–	–	–	155
Reclassification within other property, plant and equipment	–	–	4	(15)	11	–
Reclassification to investment properties (note 5A)	–	–	–	–	(352)	(352)
Transfer to additional concession property (note 5C)	–	–	–	(79)	(46)	(125)
Transfer from railway construction in progress (note 5D)	–	–	134	599	–	733
Other assets commissioned	–	–	14	1,129	(1,143)	–
At 31 December 2009	732	2,120	46,507	61,026	1,366	111,751
At Cost	732	–	46,507	61,026	1,366	109,631
At 31 December 2009 Valuation	–	2,120	–	–	–	2,120
Aggregate depreciation						
At 1 January 2009, as previously reported	–	–	4,612	26,781	–	31,393
Reclassification on adoption of the amendment to HKAS 17 (note 1)	165	–	–	–	–	165
At 1 January 2009, as reclassified	165	–	4,612	26,781	–	31,558
Charge for the year	13	51	399	2,177	–	2,640
Written back on disposal	–	–	(3)	(235)	–	(238)
Transfer to additional concession property (note 5C)	–	–	–	(2)	–	(2)
Written back on revaluation	–	(51)	–	–	–	(51)
At 31 December 2009	178	–	5,008	28,721	–	33,907
Net book value at 31 December 2009	554	2,120	41,499	32,305	1,366	77,844

* Capitalisation adjustments relate to certain railway assets capitalised at the time of commissioning based on contractors' claimed values. Such assets' final values have been adjusted following finalisation of contract claims with contractors at final contract values during the year.

Depreciation charge for the year was HK\$2,706 million (2009: HK\$2,640 million), comprising depreciation for the year of HK\$2,707 million (2009: HK\$2,640 million) less HK\$1 million (2009: nil) capitalisation adjustment.

5 Fixed Assets and Railway Construction in Progress (continued)

C Service Concession Assets

in HK\$ million	KCRC Rail Merger				
	Initial concession property	Additional concession property	Shenzhen Line 4	Stockholm Metro	Total
2010					
Cost					
At 1 January 2010	15,226	1,183	3,539	88	20,036
Net additions during the year	–	566	1,757	–	2,323
Disposal	–	(5)	–	–	(5)
Transfer from other property, plant and equipment (note 5B)	–	74	–	–	74
Exchange differences	–	–	133	3	136
At 31 December 2010	15,226	1,818	5,429	91	22,564
Accumulated amortisation					
At 1 January 2010	634	50	–	1	685
Charge for the year	305	95	2	12	414
Written-off on disposal	–	(3)	–	–	(3)
Exchange differences	–	–	–	1	1
At 31 December 2010	939	142	2	14	1,097
Net book value at 31 December 2010	14,287	1,676	5,427	77	21,467
2009					
Cost					
At 1 January 2009	15,226	572	–	–	15,798
Net additions during the year	–	486	1,889	88	2,463
Transfer from other property, plant and equipment (note 5B)	–	125	–	–	125
Transfer from deferred expenditure	–	–	1,650	–	1,650
At 31 December 2009	15,226	1,183	3,539	88	20,036
Accumulated amortisation					
At 1 January 2009	329	6	–	–	335
Charge for the year	305	42	–	1	348
Transfer from other property, plant and equipment (note 5B)	–	2	–	–	2
At 31 December 2009	634	50	–	1	685
Net book value at 31 December 2009	14,592	1,133	3,539	87	19,351

Initial concession property and additional concession property are in respect of the Group's right to access, use and operate the KCRC system pursuant to the Rail Merger (note 2). The cost of initial concession property comprises the balance of upfront payment of HK\$4,250 million net of HK\$326 million in respect of stores and spares acquired, the present value of the total fixed annual payments of HK\$750 million per annum discounted at the Company's estimated long-term incremental borrowing rate at inception of 6.75%, the non-recoverable amount of net liabilities assumed from KCRC of HK\$226 million and merger-related expenses eligible for capitalisation of HK\$389 million. Additional concession property represents expenditures incurred in relation to the replacement and upgrade of the KCRC system.

Service concession assets in respect of Shenzhen Line 4 relate to the Build-Operate-Transfer project of Shenzhen Metro System Line 4 ("Shenzhen Line 4"). The cost of the service concession assets comprises the value of construction services provided in respect of the construction of Shenzhen Line 4 Phase 2 and the capitalised present value of the total annual lease payments for the operation of Shenzhen Line 4 Phase 1 of RMB132 million (HK\$151 million), calculated as the total annual lease payments of RMB319 million over the concession period discounted at the estimated long-term incremental borrowing rate at inception of 5.35%. The concession property is amortised and charged to the consolidated profit and loss account over the concession period starting from operation commencement.

Service concession assets in respect of Stockholm Metro relate to the costs incurred between the announcement of the Group's winning of the tender on 20 January 2009 and the commencement of the franchise on 2 November 2009 for preparing the Group to operate Stockholm Metro. The concession property is amortised and charged to the consolidated profit and loss account over the term of the franchise.

Notes to the Summary Financial Statements

5 Fixed Assets and Railway Construction in Progress *(continued)*

D Railway Construction in Progress

in HK\$ million	Balance at 1 January	Transferred from deferred expenditure	Expenditure	Capitalised on commissioning (note 5B)	Balance at 31 December
2010					
West Island Line Project					
Construction costs	891	–	3,064	–	3,955
Consultancy fees	364	–	66	–	430
Staff costs and other expenses	418	–	332	–	750
Finance costs/(interest income)	12	–	(70)	–	(58)
Utilisation of government funding support	(1,685)	–	(3,392)	–	(5,077)
Total	–	–	–	–	–
2009					
LOHAS Park Station Project					
Construction costs	490	–	50	(540)	–
Consultancy fees	13	–	–	(13)	–
Staff costs and other expenses	114	–	11	(125)	–
Finance costs	41	–	14	(55)	–
	658	–	75	(733)	–
West Island Line Project					
Construction costs	–	38	853	–	891
Consultancy fees	–	316	48	–	364
Staff costs and other expenses	–	318	100	–	418
Finance costs	–	2	10	–	12
Utilisation of government funding support	–	(400)	(1,285)	–	(1,685)
	–	274	(274)	–	–
Total	658	274	(199)	(733)	–

6 Bonds and Notes Issued and Redeemed

Bonds and notes issued during the year ended 31 December 2010 and 2009 comprise:

in HK\$ million	2010		2009	
	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	–	–	500	500

The net proceeds received from the above issues were used for general working capital, refinancing or other corporate purposes.

During the year ended 31 December 2010, the Group redeemed HK\$1,100 million (2009: HK\$1,300 million) of its unlisted debt securities and US\$600 million (2009: US\$750 million) of its listed debt securities.

7 Other Information

These summary financial statements are only a summary of information in the Group's 2010 Annual Accounts. It is not the Group's statutory financial statements and it does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full Annual Report and Accounts. The full 2010 Annual Report is available in electronic form on the Company's website at www.mtr.com.hk. A printed copy of the 2010 Annual Report can be obtained free of charge by writing to the Company's share registrar or the Company's Corporate Relations Department. Their details are listed on page 68 of this Summary Financial Report.