



# MTR Corporation

## 2018 Annual Results

7 March 2019



# Forward-looking statements

**Certain statements contained in this presentation may be viewed as forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.**



# Results Highlights and Business Overview

Mr. Lincoln Leong, CEO

# Delivering on Strategy

## Satisfactory Financial Results

- **Recurrent profits** up 5.1%, due to steady patronage growth, higher contribution from station commercial businesses and property rental and management businesses
- **Underlying profits** up 7.1%, due to recurrent profit growth and property development profit from LOHAS Park Package 4

## Good Operational Achievements

- **Hong Kong**
  - World class safety and service performance
  - Best passenger journeys on-time since the Rail Merger (January to September )
  - HSR opened on 23 September 2018
  - Station commercial and property rental benefited from the recovery in retail sector
  - Full-year contribution from new retail space at Telford Plaza II and Maritime Square 2
  - Tender of Yau Tong Ventilation Building site, Wong Chuk Hang Station Package 3 and Ho Man Tin Station Package 2
- **Mainland of China and international businesses**
  - Challenges encountered by Stockholm commuter rail (Pendeltågen) in Sweden and South Western Railway in the UK
  - Other businesses performed either in line with or above expectations

## Delivering on Growth Strategy

- **Hong Kong**
  - Project related issues encountered in Shatin to Central Link
  - Railway Development Strategy 2014 (RDS 2014)
  - About 20,000 residential units under development
  - Three new shopping centres under construction , target completion by 2020-2023 increasing GFA by 49%
- **Mainland of China and international businesses**
  - Submitted a bid for West Coast Partnership
  - Signed Contract Finalisation Deed for Sydney Metro City and Southwest ("SMCSW")

# Financial Highlights

## Contribution from Recurrent Businesses

2018 (HK\$m)	Recurrent Businesses		
	Hong Kong <sup>(1)</sup>	Outside of Hong Kong <sup>(1)</sup>	Total
Revenue	32,993	20,877	53,870
Change (YoY)	5.6%	21.4%	11.2%
Recurrent profits	8,197	823	9,020
Change (YoY)	7.0%	(10.3%)	5.1%

## Net Profit

(HK\$m)	2018	Change (YoY)
Profit from recurrent businesses <sup>(2)</sup>	9,020	5.1%
Post-tax profit from property development		
Hong Kong	2,153	135.0%
Mainland of China	90	(91.2%)
Sub-total	2,243	15.9%
Profit from underlying businesses <sup>(2)</sup>	11,263	7.1%
Investment property revaluation	4,745	(24.8%)
Reported net profit attributable to shareholders of the company <sup>(2)</sup>	16,008	(4.9%)
Reported EPS (HK\$) <sup>(2)</sup>	2.64	(6.7%)
Underlying businesses EPS (HK\$) <sup>(2)</sup>	1.86	5.1%
Ordinary dividend per share (HK\$)	1.20	7.1%

1. Recurrent business profit from Hong Kong includes HK transport operations, HK station commercial, HK property rental and management, other businesses (mainly project management services to Government, Ngong Ping 360, and consultancy) and project studies and business development expenses. Recurrent business profit outside of Hong Kong excludes project studies and business development expenses.

2. Net of non-controlling interests (2018: HK\$148m; 2017: HK\$56m)

# HONG KONG TRANSPORT OPERATIONS



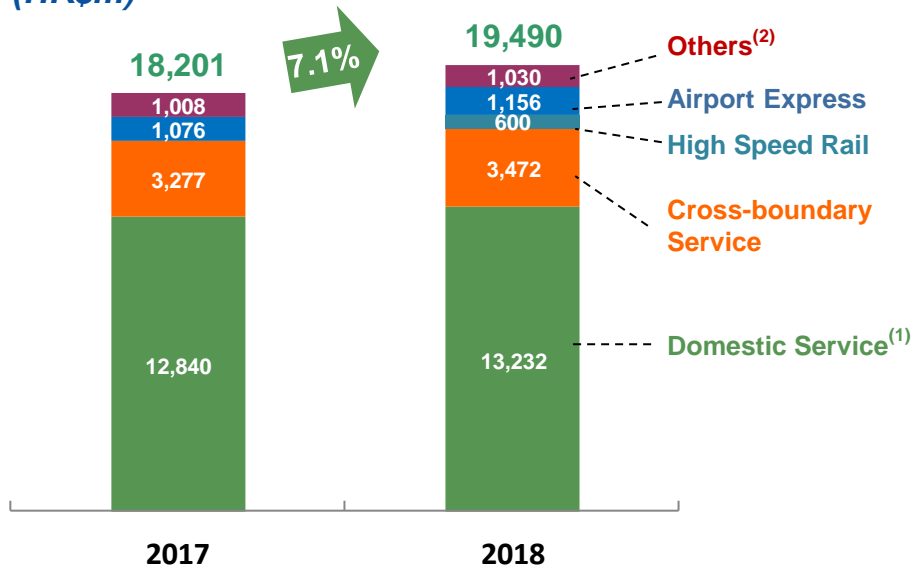
# Hong Kong Transport Operations

Total Patronage: **2.04 billion**

**2.2%**

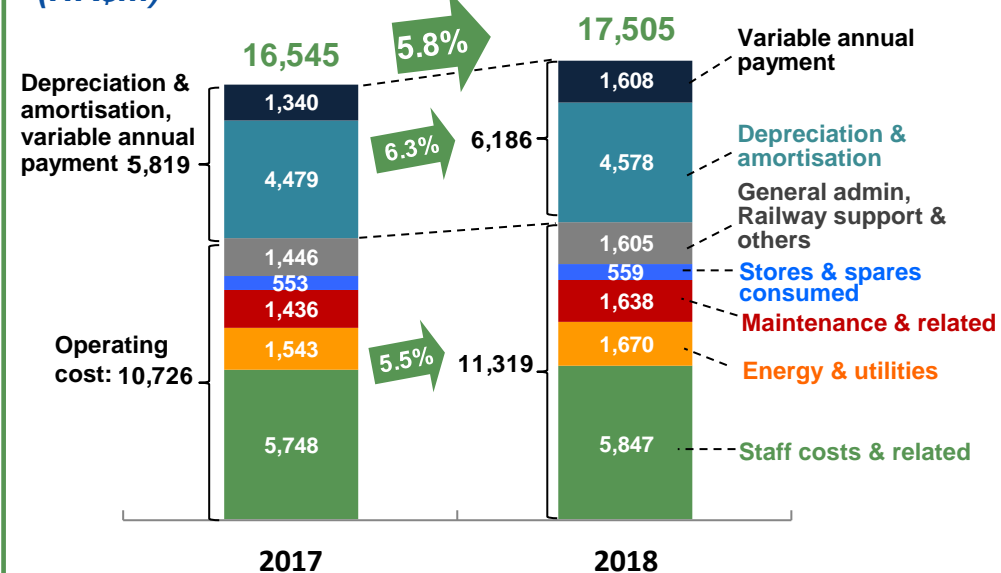
## Revenue

(HK\$m)



## Cost

(HK\$m)



**EBITDA:**  
**HK\$8,171m**

**9.3%**

**Margin:**  
**41.9%**

**0.8%  
pt.**

**EBIT<sup>(3)</sup>:**  
**HK\$1,985m**

**19.9%**

**Margin:**  
**10.2%**

**1.1%  
pts.**

- Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
- Others comprise Light Rail, Bus, Intercity and other rail related income
- After depreciation, amortisation and variable annual payment to KCRC

# Revenue from Hong Kong Transport Operations

Domestic Service<sup>(1)</sup>:  
HK\$13,232m

3.1%

Cross-boundary Service<sup>(2)</sup>:  
HK\$3,472m

6.0%

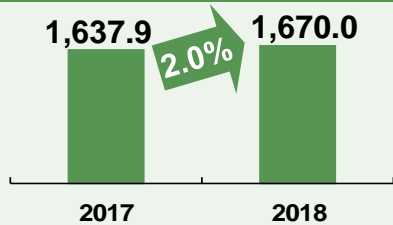
Airport Express:  
HK\$1,156m

7.4%

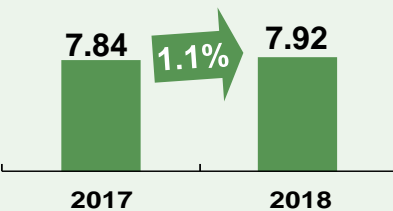
High Speed Rail<sup>(3)</sup>:  
HK\$600m

N/A

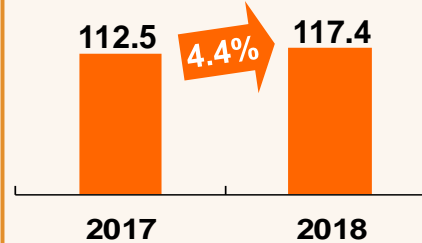
## Domestic Service Patronage (m)



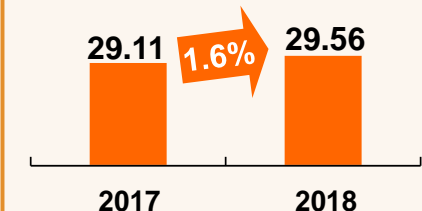
## Domestic Service Average Fare (HK\$)



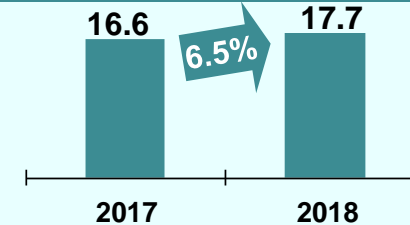
## Cross-boundary Service Patronage (m)



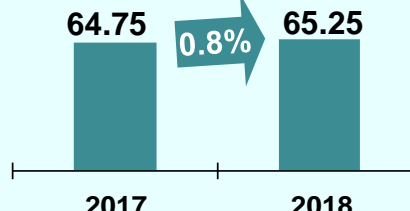
## Cross-boundary Service Average Fare (HK\$)



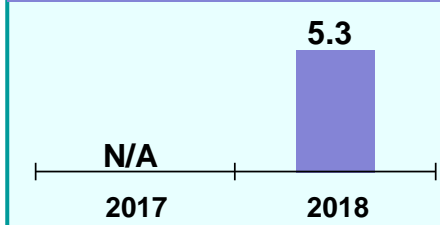
## Airport Express Patronage (m)



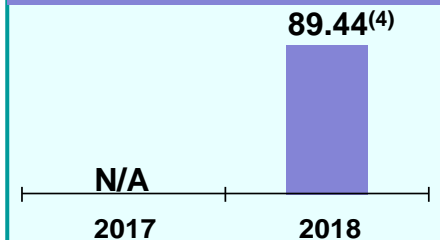
## Airport Express Average Fare (HK\$)



## High Speed Rail Patronage (m)



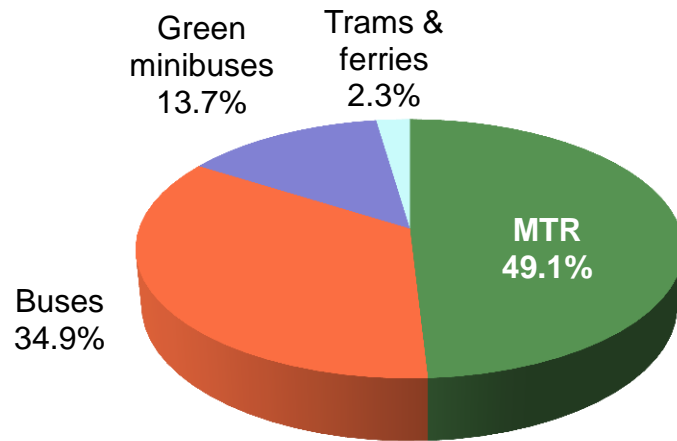
## High Speed Rail Average Fare (HK\$)



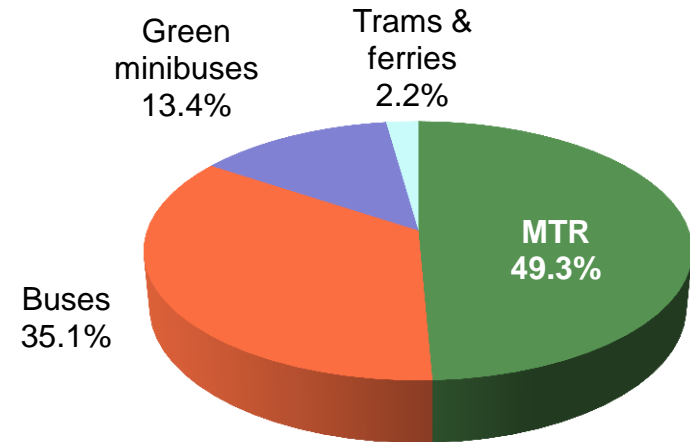
- Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
- Does not include the High Speed Rail
- High Speed Rail commenced services on 23 September 2018, with 100 days of operation in 2018
- Average of 23 September 2018 to 31 December 2018

# Market Share

## Hong Kong Franchised Public Transport

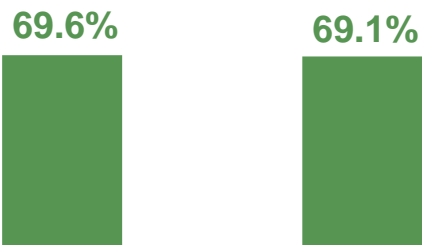


Jan – Dec 2017

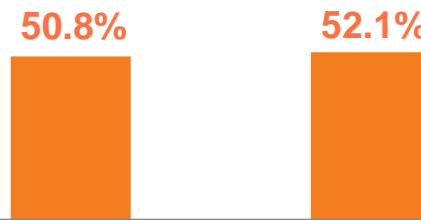


Jan – Dec 2018

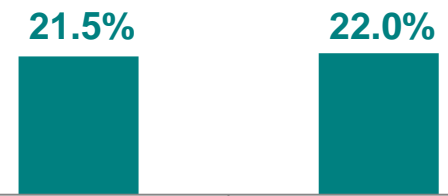
### Cross-harbour



### Cross-boundary & HSR



### Airport Express



Jan-Dec 2017

Jan-Dec 2018

Jan-Dec 2017

Jan-Dec 2018

Jan-Dec 2017<sup>(1)</sup>

Jan-Dec 2018<sup>(1)</sup>

Sources: The Transport Department / Immigration Department / Airport Authority Hong Kong

1. Calculation based on the proportion of air passenger using Airport Express over the total air passenger figures reported by the Airport Authority Hong Kong



## HONG KONG STATION COMMERCIAL BUSINESSES



# Hong Kong Station Commercial Businesses

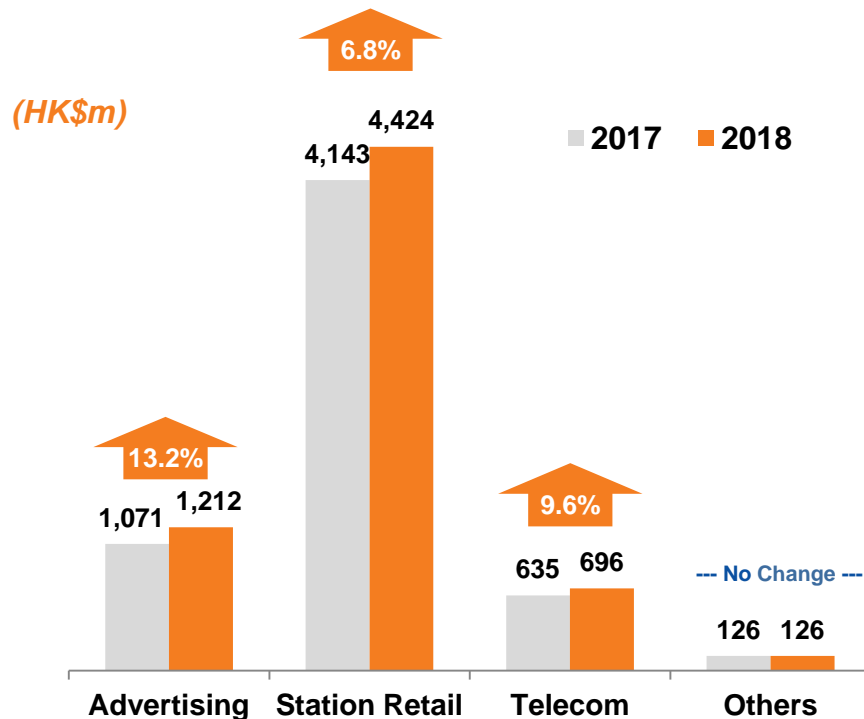
Revenue: HK\$6,458m  
Operating Cost: HK\$567m  
8.1% 13.2%

EBITDA: HK\$5,891m  
Margin: 91.2%  
7.6% 0.4%pt

Depreciation & Amortisation: HK\$174m  
Variable Annual Payment: HK\$692m  
6.7% 17.5%

EBIT<sup>(1)</sup>: HK\$5,025m  
Margin: 77.8%  
6.4% 1.2%pts

## Revenue



- **Advertising** Improved retail and tourism markets, as well as contribution from HSR
- **Station retail**
  - Revenue increase attributable to
    - positive rental reversion
    - increase in retail space, including Hong Kong West Kowloon Station
    - increase in Duty Free Shop rents in line with contracts
  - 1,470 shops and 66,292 sqm station retail space as at 31 Dec 2018
- **Telecom** incremental revenue from new contracts and capacity enhancement projects

1. After depreciation, amortisation and variable annual payment to KCRC

# HONG KONG PROPERTY BUSINESSES



# Hong Kong Property Rental and Management Businesses

Revenue: HK\$5,055m  
↑ 3.2%

Operating Cost: HK\$813m  
↑ 1.4%

EBITDA: HK\$4,242m  
↑ 3.5%

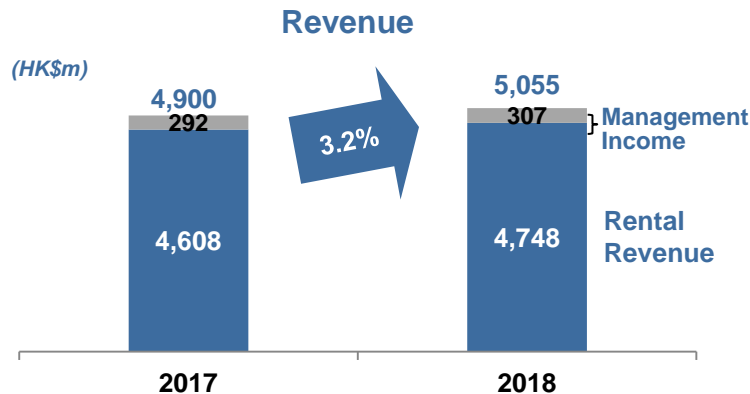
Margin: 83.9%  
↑ 0.3%pt

Depreciation & Amortisation: HK\$12m  
--- No Change ---

Variable Annual Payment: HK\$5m  
↑ 25%

EBIT<sup>(1)</sup>: HK\$4,225m  
↑ 3.5%

Margin: 83.6%  
↑ 0.3%pt



Maritime Square

- Rental reversion reverted to positive 1.5% at shopping malls
- 13 MTR shopping malls and 18 floors at Two IFC were close to 100% let in 2018
- Full year contribution from new retail spaces at Telford Plaza II and Maritime Square 2
- Successful repositioning of Paradise Mall
- Elements also benefited from the opening of the HSR
- Investment properties LFA – 31 Dec 2018
  - HK Retail: **217,486** sqm<sup>(2)</sup>
  - HK Offices: **39,410** sqm<sup>(2)</sup>
  - Others: **17,764** sqm<sup>(2)</sup>

1. After depreciation, amortisation and variable annual payment to KCRC

2. Lettable floor area attributable to MTR



Paradise Mall

# Hong Kong Property Development

## Development Profit

- Pre-tax profits of **HK\$2,574 million** mainly from profit booking from Wings at Sea I & Wings at Sea II, sales of car parking spaces and surplus proceeds released from completed property development projects.

## Property Tender

- Yau Tong Ventilation Building site (Total 500 units)
- Wong Chuk Hang Station Package 3 (Total 1,200 units)
- Ho Man Tin Station Package 2 (Total 1,000 units)

## Pre-sale of Property Development Project

Property Development	Launched	Units sold (End-Dec 2018)
■ <b>MTR</b>		
LP6 (LOHAS Park Package 6)	Sep 2018	65% of 2,392 units sold
MALIBU (LOHAS Park Package 5)	Mar 2018	97% of 1,600 units sold
Wings at Sea II (LOHAS Park Package 4)	Oct 2017	81% of 1,132 units sold
Wings at Sea (LOHAS Park Package 4)	Sep 2017	97% of 1,040 units sold
■ <b>As Agent for KCRC</b>		
Sol City (Long Ping Station (South))	Oct 2018	30% of 720 units sold
Cullinan West II (Nam Cheong Station)	Nov 2017	95% of 1,188 units sold



Ho Man Tin Station Package 1 & 2 Site



MALIBU (LOHAS Park Package 5)



## GROWTH INITIATIVES IN HONG KONG



# Rail Projects under Project Management

## Shatin to Central Link (SCL)



- In mid 2018, there were allegations concerning workmanship and timely reporting of certain construction matters, in particular regarding works at Hung Hom Station extension
- Immediate steps were taken to (1) investigate the issues, (2) report the findings to Government and (3) reserve our position against relevant contractors
- Holistic verification and assurance works are ongoing and the overall structural integrity and safety of the Hung Hom Station extension will be assessed based on the detailed data collected in the verification process
- A Commission of Inquiry (COI) was set up by the HKSAR Chief Executive in Council to investigate matters relating to the diaphragm wall and the platform slabs at Hung Hom Station extension.
- On 19 February 2019, Government announced that the terms of reference of the COI had been expanded to cover issues relating to the gaps and deficiencies in the as-constructed drawings and records, for the connecting structures of Hung Hom Station. On 25 February 2019, COI submitted an interim report on its findings and recommendations on matters covered by the original terms of references . The Government has yet to publish the interim report.
- The COI is required to submit its report to the Chief Executive by 30 August 2019. The COI may submit interim reports on any aspects of the inquiry as it may see fit under the terms of its appointment
- In the meantime, immediate measures have been taken to strengthen monitoring and supervision over all Shatin to Central Link contracts.
- The Capital Works Committee of the Board has also reviewed the Company's project management processes and procedures assisted by an external consultant and has made recommendations for improvements, many of which have already been implemented.

# Rail Projects under Project Management

## Shatin to Central Link (SCL)



### Tuen Ma Line

(Tai Wai to Hung Hom Section) – 99.5% complete

### Progress Achieved

- Structural works for all stations have been substantially completed
- Fitting-out, building services and electrical and mechanical works inside the stations mostly completed



*Sung Wong Toi station*



*Hung Hom station*

# Rail Projects under Project Management

## Shatin to Central Link



**Hung Hom to Admiralty Section – 75.7% complete**

### Progress Achieved

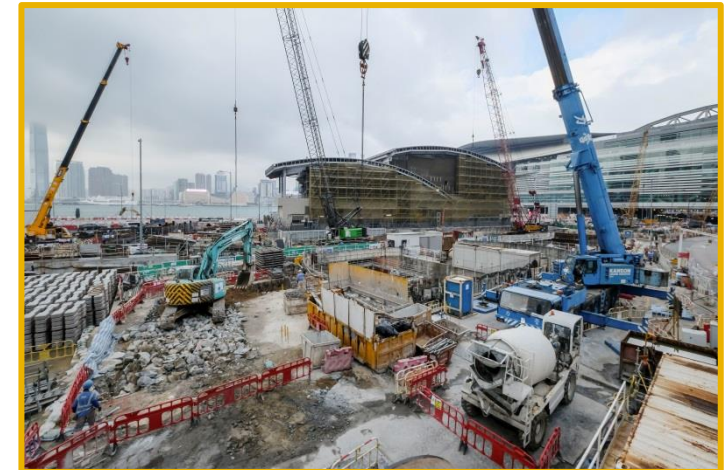
- All tunnel boring excavation works completed
- All 11 immersed tube units for the cross-harbour rail tunnel installed by April 2018

### Major Challenges

- Construction progress has been affected by late site handover, incomplete entrusted works by other parties and unfavourable ground conditions at Exhibition Centre Station
- However, bulk excavation is expected to complete in the first half of 2019



*Construction Site of SCL at Admiralty Station*



*Construction Site of SCL at Exhibition Centre Station*

# Rail Projects under Project Management

## Shatin to Central Link

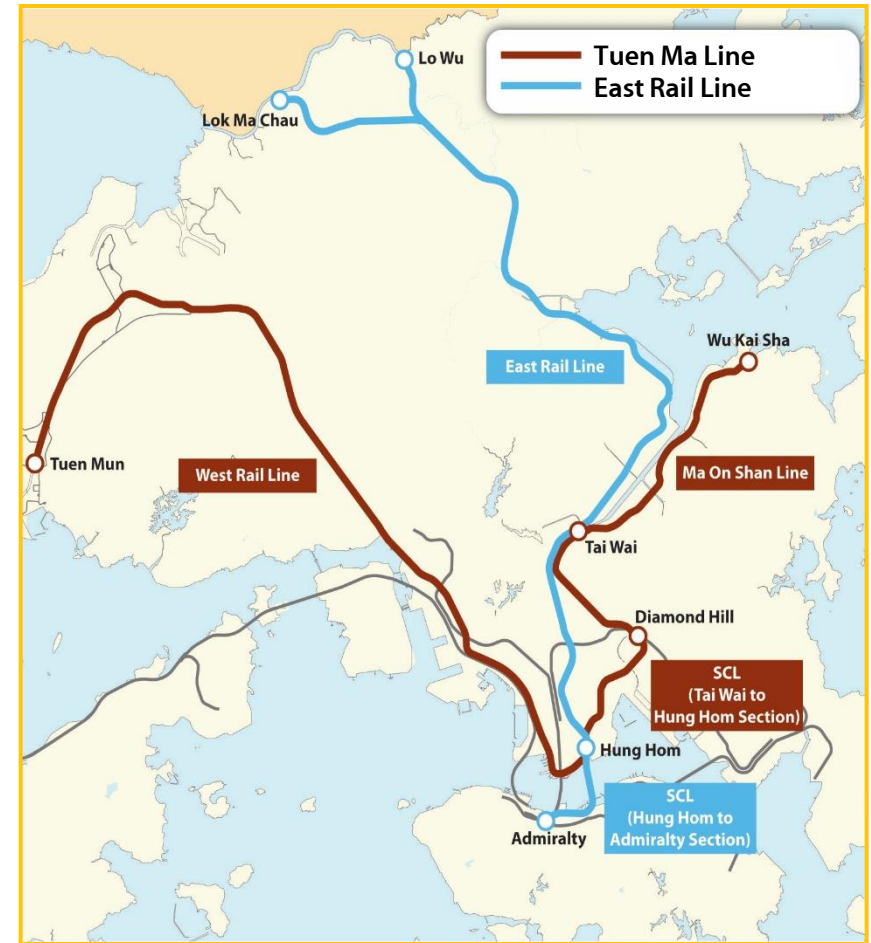


### Funding

- Government is responsible for funding the Shatin to Central Link
- The latest estimated cost was HK\$87.3 billion, as of December 2017 – additional funding will therefore be required
- The Company intends to carry out a further review and revalidation of the cost-to-complete (CTC) within 2019, taking account of the outcome of the verification and assurance works and the associated delays.
- The Company continues to exercise rigorous cost control with the objective of ensuring that construction costs are contained so far as possible

### Phased opening of Tuen Ma Line

- Depending on the outcome of the holistic review of the Hung Hom Station extension and any remedial works which may result from the review, options for commissioning of the Tuen Ma Line (including phased opening scenarios) are being formulated



Overall

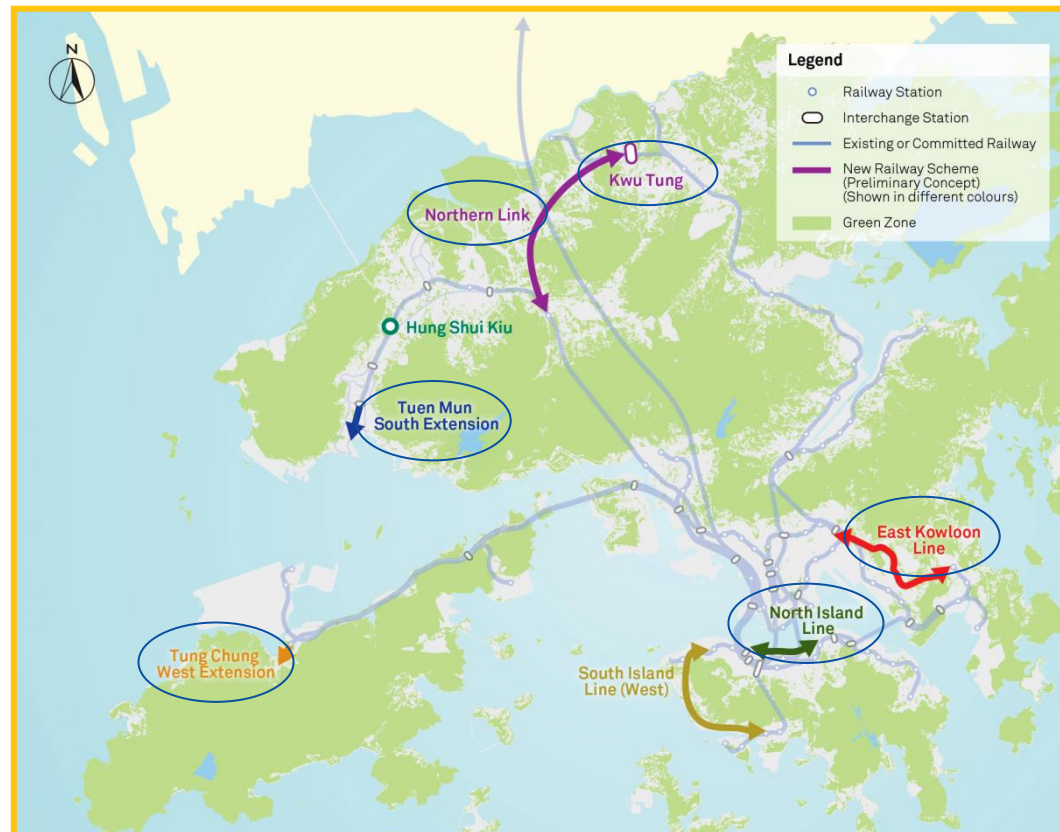
**88.7% complete**

# Railway Development Strategy 2014

A total of 7 new railway projects of which:

- **Tuen Mun South Extension:** Proposal submitted
- **Northern Link (and Kwu Tung Station):** Proposal submitted
- **East Kowloon Line:** Proposal submitted
- **Tung Chung West Extension (and Tung Chung East Station):** Proposal submitted
- **North Island Line:** Proposal submitted

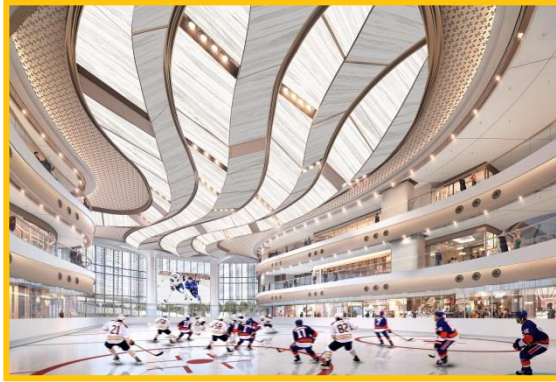
Government's "Strategic Study on Railways beyond 2030 – Feasibility Study" planned to commence in 2019



Project	Route Length (km)
Tuen Mun South Extension	2.4
Northern Link (and Kwu Tung Station)	10.7
East Kowloon Line	7.8
Tung Chung West Extension (and Tung Chung East Station)	1.5
North Island Line	5.0
Hung Shui Kiu Station	-
South Island Line (West)	7.4
<b>Total</b>	<b>34.8</b>

# New Investment Property Initiatives

49% increase in attributable GFA of existing retail portfolio



*An artist's impression of LOHAS Mall*

## LOHAS Park Shopping Centre

GFA: 44,500sqm

Expected project completion: 2H 2020

50% complete



## Tai Wai Shopping Centre

GFA: 60,620sqm

Expected project completion: 2023

20% complete



*An artist's impression of Tai Wai Mall*



## Wong Chuk Hang Shopping Centre

GFA: 47,000sqm

Expected project completion: 2023

# Hong Kong Property Development

Tendered MTR developments: about 20,000 residential units (GFA : about 1.22 million sqm)

	Property Tender	Date of Tender Award	Developer partner (a subsidiary of)	Residential Gross Floor Area (sq m)	Units	Latest Project Status			
						Design	Foundation works	Super-structure	Pre-sale
1	Tai Wai Station	Oct 2014	New World	190,480	3,090	Completed	In progress	In progress	
2	LOHAS Park Package 5	Nov 2014	Wheelock	102,336	1,600	Completed	Completed	In progress	In progress
3	LOHAS Park Package 6	Jan 2015	Nan Fung	136,970	2,392	Completed	Completed	In progress	In progress
4	Tin Wing Stop	Feb 2015	Sun Hung Kai	91,051	1,976	Completed	In progress		
5	LOHAS Park Package 7	Jun 2015	Wheelock	70,260	1,120	Completed	Completed	In progress	
6	LOHAS Park Package 8	Oct 2015	Cheung Kong	97,000	1,422	Completed			
7	LOHAS Park Package 9	Dec 2015	Wheelock	104,110	1,653	Completed	Completed		
8	LOHAS Park Package 10	Mar 2016	Nan Fung	75,400	893	Completed	Completed		
9	Ho Man Tin Station Package 1	Dec 2016	Goldin Financial	69,000	918	Completed	In progress		
10	Wong Chuk Hang Station Package 1	Feb 2017	Road King Infrastructure & Ping An Real Estate	53,600	800	Completed	In progress		
11	Wong Chuk Hang Station Package 2	Dec 2017	Sino Land & Kerry Properties	45,800	600	In progress			
12	Yau Tong Ventilation Building	May 2018	Sino Land & CSI Properties	30,225	500	In progress			
13	Wong Chuk Hang Station Package 3	Aug 2018	CK Asset	92,900	1,200	In progress			
14	Ho Man Tin Station Package 2	Oct 2018	Chinachem	59,400	1,000	In progress			

# Hong Kong Property Development

## Siu Ho Wan Depot, Lantau Island

- ~14,000 public and private residential units, subject to necessary zoning and other statutory approvals
- First Town Planning Board hearing was held in October 2018
- Outline Zoning Plan was approved in February 2019



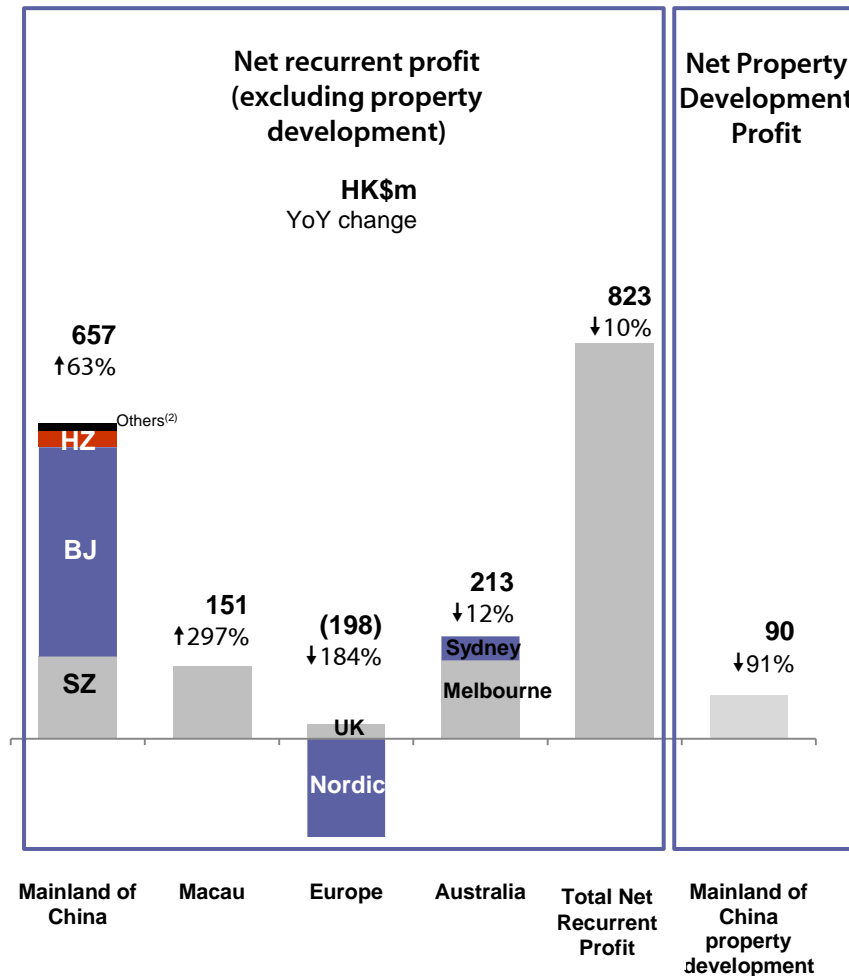
*Siu Ho Wan Depot, Lantau Island*

# MAINLAND OF CHINA AND INTERNATIONAL BUSINESSES



# Mainland of China and International Businesses

Net profit (excluding property development)<sup>(1)</sup> : **HK\$823m** ↓10.3%



## Mainland of China - ↑63%

- **Beijing MTR** – good operational and financial performances
- **MTR Shenzhen** – good operational and financial performances
- **Hangzhou MTR** – Continued strong patronage growth led to first time profit recognition

## Macau - ↑297%

- **Macau LRT Taipa Line** – higher contribution from project consultancy

## Europe - ↓184%

- **MTR Pendeltågen, Sweden** – material loss due to higher than budgeted costs and contract penalties
- **MTR Express, Sweden** – fare revenue remains challenging albeit patronage improved. Loss narrowed in 2H18
- **South Western Rail franchise, UK** – patronage below expectation, breakeven for full-year
- **MTR Crossrail, UK** – good operational performance

## Australia - ↓12%

- **Sydney Metro North West (SMNW)** – decrease in profit contribution, as the profit from project delivery was not repeated in 2018.
- **Metro Trains Melbourne (MTM)** – increase in profit due to the improvement of overall margins under the renewed franchise agreement

1. Comprising net profit from Mainland of China and international business (MC&IB) subsidiaries net of non-controlling interests, and share of profit or loss from MC&IB associates and joint venture. Does not include project studies and business development expenses.

2. Mainland of China property rental and management  
MTR Corporation

# Mainland of China Businesses – Current Operations

## Beijing

- **Beijing Metro Line 4 and Daxing Line, PPP**
  - Patronage: 451 million, similar to previous year (1.34 million/ weekday)
- **Beijing Metro Line 14, PPP**
  - Patronage: 236 million up 7.4% (0.74 million/ weekday)
- **Beijing Metro Line 16, PPP**
  - Patronage: 34 million up 35.2% (0.11 million/ weekday)
- **Contribution to MTR**
  - HK\$435 million, up 21.5% YoY

## Hangzhou

- **Hangzhou Metro Line 1, PPP (HZMTR)**
  - Patronage: 269 million up 19.4% (0.75 million/ weekday)
- **Contribution to MTR**
  - HK\$35 million first time profit recognition
- **Hangzhou Metro Line 5, PPP**
  - Signed concession agreement in June 2017
  - 25 years PPP concession
  - Route length: 51.5km (38 stations)
  - Joint venture between MTR (60%) and Hangzhou Metro (40%)
  - To commence operation in 2019

## Tianjin TJ-Metro MTR Construction (Tianjin MTR)

- Shopping centre of ~91,000 sqm GFA at Beiyunhe site under construction
- Will take ownership when it is completed - Target by end-2022

## Greater Bay Area

- Provide TOD technical assistance to Country Garden and Shunde Metro for a mixed-use property development adjacent to Shunde Chencun Station (~391,500 sqm GFA)

## Shenzhen

- **Shenzhen Metro Line 4, PPP (SZMTR)**
  - Patronage: 232 million up 10.8% (0.64 million/ weekday)
- **Contribution to MTR**
  - HK\$171 million, up 74.5% YoY
- **Tiara**
  - Fitting out of the retail centre is underway, target opening in the first half of 2019.

# Macau - Current Operations



## Macau LRT Taipa Line

- Project management & Technical Assistance and O&M
- Awarded a MOP5.88 billion contract for O&M services in April 2018
- 80-month service period
- Route length: 9.3 km (11 stations)
- Contribution to MTR: HK\$151 million, up from HK\$38 million in 2017

# International - Current Operations

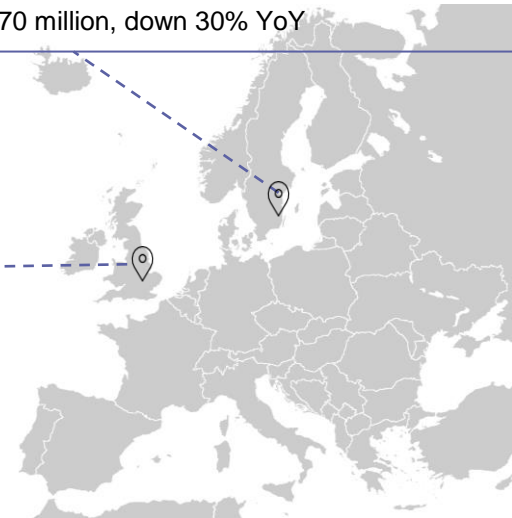
## Europe

### United Kingdom

- **TfL Rail/ Elizabeth Line (MTR Crossrail)**
  - The second phase, providing services between Paddington Station and Heathrow Airport, commenced in May 2018
  - To be renamed Elizabeth Line at the time when operation of tunnel section through central London commences
  - Contribution to MTR: HK\$29 million, down 15% YoY
- **South Western Railway franchise**
  - Takeover of the franchise in August 2017
  - MTR (30%) and FirstGroup (70%)
  - Revenue below expectation
  - Working with the partner and infrastructure owner to improve performance and passenger experience.
  - Contribution to MTR: breakeven in 2018

### Sweden

- **MTR Express**
  - Revenue remained challenging albeit passenger number improved
  - Contribution to MTR: loss of HK\$45 million, compared to a loss of HK\$34m in 2017
  - New marketing initiatives implemented
- **Stockholm Commuter Rail (MTR Pendeltågen) and Emtrain**
  - Improvement during 2H2018, but still very challenging operationally and financially
  - Taking actions to rectify the situation, including strengthening internal management system, closer collaboration with infrastructure owner and new customer service initiatives to provide better service information.
  - Contribution to MTR: loss of HK\$253 million, down from profit of HK\$90 million in 2017
- **Other businesses in Nordic<sup>(1)</sup>**
  - Stockholm Metro delivered satisfactory operational performance and record high level of customer satisfaction
  - MTR Tech continued to provide rolling stock maintenance for Stockholm Metro
  - Contribution to MTR: HK\$70 million, down 30% YoY



# International – Current Operations

## Australia



### Sydney Metro Northwest (SMNW)

- Major infrastructure works were largely completed
- Construction and installation works at stations and along the alignment, as well as pre-operational planning, are making progress
- Train testing underway
- Targeted opening 2Q2019
- Contribution to MTR: HK\$60 million, down from HK\$185 million in 2017 due to timing of project income

### Metro Trains Melbourne (MTM)

- Renewed concession in November 2017
- Continued to deliver high service levels and support the State Government in its infrastructure projects.
- Contribution to MTR: HK\$163 million, up 143% YoY



# GROWTH INITIATIVES IN MAINLAND OF CHINA AND INTERNATIONAL BUSINESSES

# Mainland of China and Macau Businesses – Growth Initiatives

## Chengdu

- **Strategic cooperation with Chengdu Rail Transit Group** covers metro PPP and Transit Oriented Development (TOD)
- **Memorandum of Understanding** signed to explore cooperation opportunity on the potential integrated development of stations along Chengdu's metro lines

## Beijing

- **Letter of Intent** signed with Daxing District People's Government of Beijing Municipality and BIIC in November 2017
  - Studies on the southward extension of Beijing Daxing Line, Nanzhaolu Depot capacity expansion and integrated property development
- **Memorandum of Understanding** signed with Beijing Municipal Commission of Transport and BIIC in October 2018
  - Deeper cooperation in upgrading metro rail services. Several potential PPP and O&M projects for urban rail lines in Beijing are being explored.

## Zhejiang

- Acquired a 9% stake in Zhejiang Rail Transit Operation Management Group
- Explore Intercity and Commuter Railways business

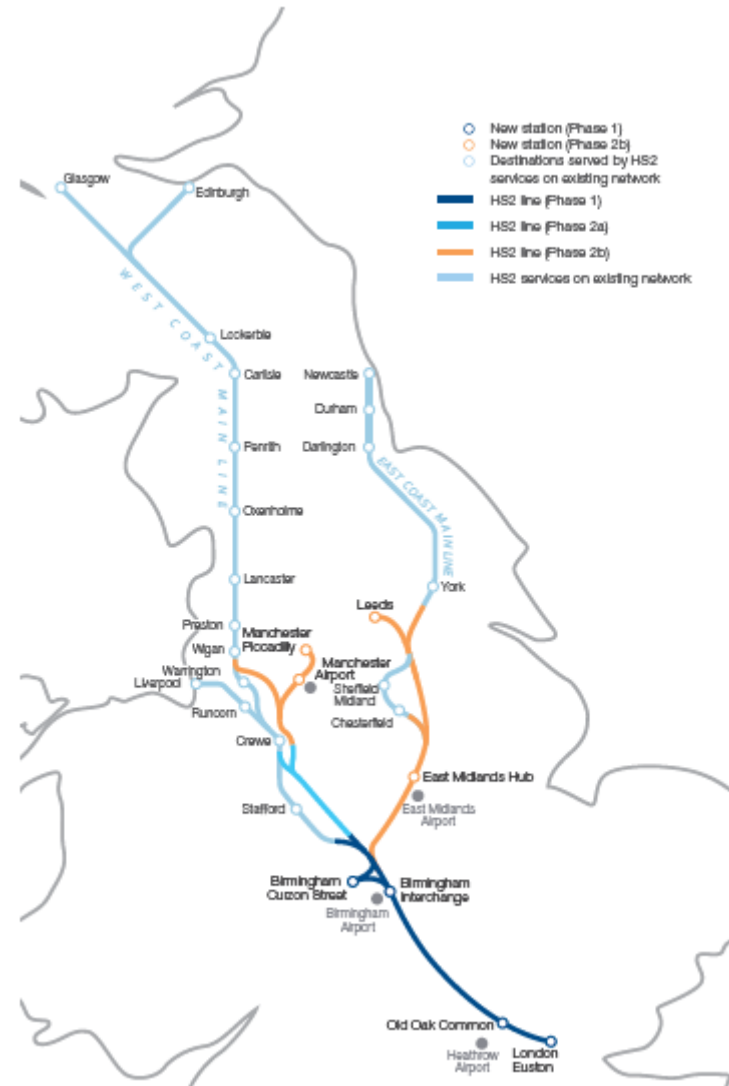
## Hangzhou

- Additional PPP rail project under discussion
- To explore cooperation opportunity on the potential integrated development of Hangzhou West Station

## Europe

### West Coast Partnership Franchise, United Kingdom

- Submitted bid in November 2018
- O&M concession for West Coast Main Line from 2019 to 2031
- Partnership with an associated company of China Railway Corporation being minority shareholder

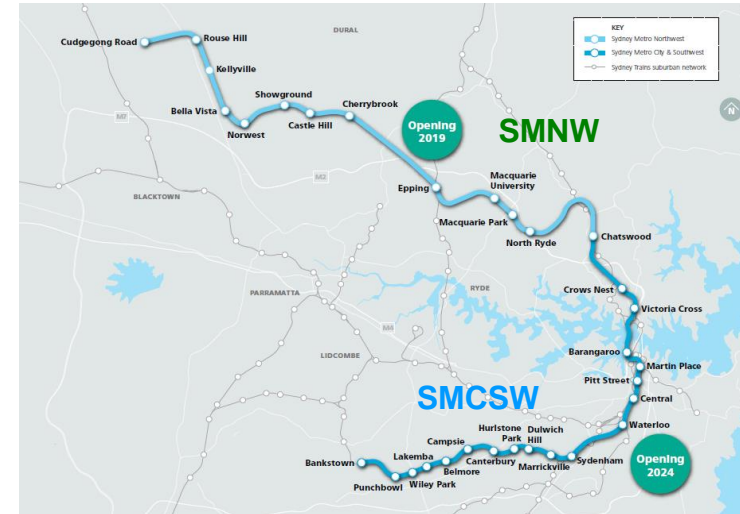


# International – Growth Initiatives

## Australia

### Sydney Metro City Southwest (SMCSW)

- A 30-km extension of SMNW running through the central business district that is targeted to open in 2024
- Signed Contract Finalisation Deed in December 2018, by a consortium formed by MTR and other participants in SMNW
- Will provide an updated Augmentation Proposal in mid-2019



Sydney Metro Alignment from Sydney Metro Industry Briefing

## Canada



Existing system map from Go Transit

### Toronto Regional Express Rail

- The project will transform the existing GO Transit diesel-rail commuter system into an electrified railway network in Greater Toronto and Hamilton area
- Project has revised to a design-build-finance-operate-maintain (DBFOM) project,
- Together with a partner, a pre-qualification bid was submitted.



# Financial Results

Mr. Herbert L.W. Hui, Finance Director

# Consolidated Profit and Loss Account

	2018	2017	Favourable/ (adverse) change	
(HK\$m)			HK\$m	%
HK transport operations	19,490	18,201	1,289	7.1
HK station commercial and HK property rental & management businesses	11,513	10,875	638	5.9
Mainland of China & international railway, property rental and management subsidiaries	20,877	17,194	3,683	21.4
Other businesses	1,990	2,174	(184)	(8.5)
	<u>53,870</u>	<u>48,444</u>	<u>5,426</u>	<u>11.2</u>
Mainland of China property development	60	6,996	(6,936)	(99.1)
<b>Total revenue</b>	<b>53,930</b>	<b>55,440</b>	<b>(1,510)</b>	<b>(2.7)</b>
Operating expenses excluding Mainland of China & international subsidiaries <sup>(1)</sup>	(15,026)	(14,523)	(503)	(3.5)
Expenses relating to Mainland of China & international railway, property rental and management subsidiaries <sup>(2)</sup>	(20,001)	(16,244)	(3,757)	(23.1)
Expenses relating to Mainland of China property development	(35)	(4,682)	4,647	99.3
<b>Total operating expenses</b>	<b>(35,062)</b>	<b>(35,449)</b>	<b>387</b>	<b>1.1</b>
EBITDA excluding Mainland of China & international subsidiaries	17,967	16,727	1,240	7.4
EBITDA relating to Mainland of China & international railway, property rental and management subsidiaries	876	950	(74)	(7.8)
EBITDA relating to Mainland of China property development	25	2,314	(2,289)	(98.9)
<b>Total EBITDA</b>	<b>18,868</b>	<b>19,991</b>	<b>(1,123)</b>	<b>(5.6)</b>
HK property development profit	2,574	1,097	1,477	134.6
<b>Total operating profit</b>	<b>21,442</b>	<b>21,088</b>	<b>354</b>	<b>1.7</b>
Depreciation & amortisation	(4,985)	(4,855)	(130)	(2.7)
Variable annual payment	(2,305)	(1,933)	(372)	(19.2)
Interest and finance charges	(1,074)	(905)	(169)	(18.7)
Investment property revaluation	4,745	6,314	(1,569)	(24.8)
Share of profit of associates and joint venture	658	494	164	33.2
<b>Profit before taxation</b>	<b>18,481</b>	<b>20,203</b>	<b>(1,722)</b>	<b>(8.5)</b>
Income tax	(2,325)	(3,318)	993	29.9
Non-controlling interests	(148)	(56)	(92)	(164.3)
<b>Reported net profit attributable to shareholders of the Company</b>	<b>16,008</b>	<b>16,829</b>	<b>(821)</b>	<b>(4.9)</b>
Reported earnings per share (HK\$)	2.64	2.83	(0.19)	(6.7)
<b>Profit from underlying businesses</b>	<b>11,263</b>	<b>10,515</b>	<b>748</b>	<b>7.1</b>
<b>Underlying businesses EPS (HK\$)</b>	<b>1.86</b>	<b>1.77</b>	<b>0.09</b>	<b>5.1</b>
<b>Final ordinary dividend per share (HK\$)</b>	<b>0.95</b>	<b>0.87</b>	<b>0.08</b>	<b>9.2</b>
<b>Total ordinary dividend per share (HK\$)</b>	<b>1.20</b>	<b>1.12</b>	<b>0.08</b>	<b>7.1</b>

Note 1: Includes project studies and business development expenses

Note 2: Excludes project studies and business development expenses

MTR Corporation

# Segmental Profits of Underlying Businesses

	2018	2017	Favourable/ (adverse) change	
(HK\$m)			HK\$m	%
Hong Kong transport operations <sup>(1)</sup>	1,985	1,656	329	19.9
Hong Kong station commercial <sup>(1)</sup>	5,025	4,722	303	6.4
Hong Kong property rental and management <sup>(1)</sup>	4,225	4,082	143	3.5
Mainland of China and international railway, property rental & management (including share of EBIT from railway associates and joint venture) <sup>(2)</sup>	1,537	1,515	22	1.5
Project studies and business development expenses	(323)	(332)	9	2.7
Others <sup>(3)</sup>	104	97	7	7.2
<b>EBIT on recurrent businesses</b>	<b>12,553</b>	<b>11,740</b>	<b>813</b>	<b>6.9</b>
Interest on recurrent business profit <sup>(4)</sup>	(1,428)	(1,250)	(178)	(14.2)
Tax on recurrent business profit <sup>(5)</sup>	(2,105)	(1,910)	(195)	(10.2)
<b>Post-tax recurrent business profit</b>	<b>9,020</b>	<b>8,580</b>	<b>440</b>	<b>5.1</b>
HK property development profit after tax	2,153	916	1,237	135.0
Mainland of China property development profit after tax and interest	90	1,019	(929)	(91.2)
<b>Post-tax property development profit</b>	<b>2,243</b>	<b>1,935</b>	<b>308</b>	<b>15.9</b>
<b>Profit from underlying businesses</b>	<b>11,263</b>	<b>10,515</b>	<b>748</b>	<b>7.1</b>

Note:

All segmental profits shown are pre-tax profits.

1. After depreciation, amortisation and variable annual payment to KCRC

2. Net of non-controlling interests

3. Includes consultancy, Ngong Ping 360, project management for HKSAR Government and share of EBIT from Octopus Holdings Limited; does not include project studies and business development expenses

4. Includes our share of interest and finance charges incurred by railway associates and joint venture

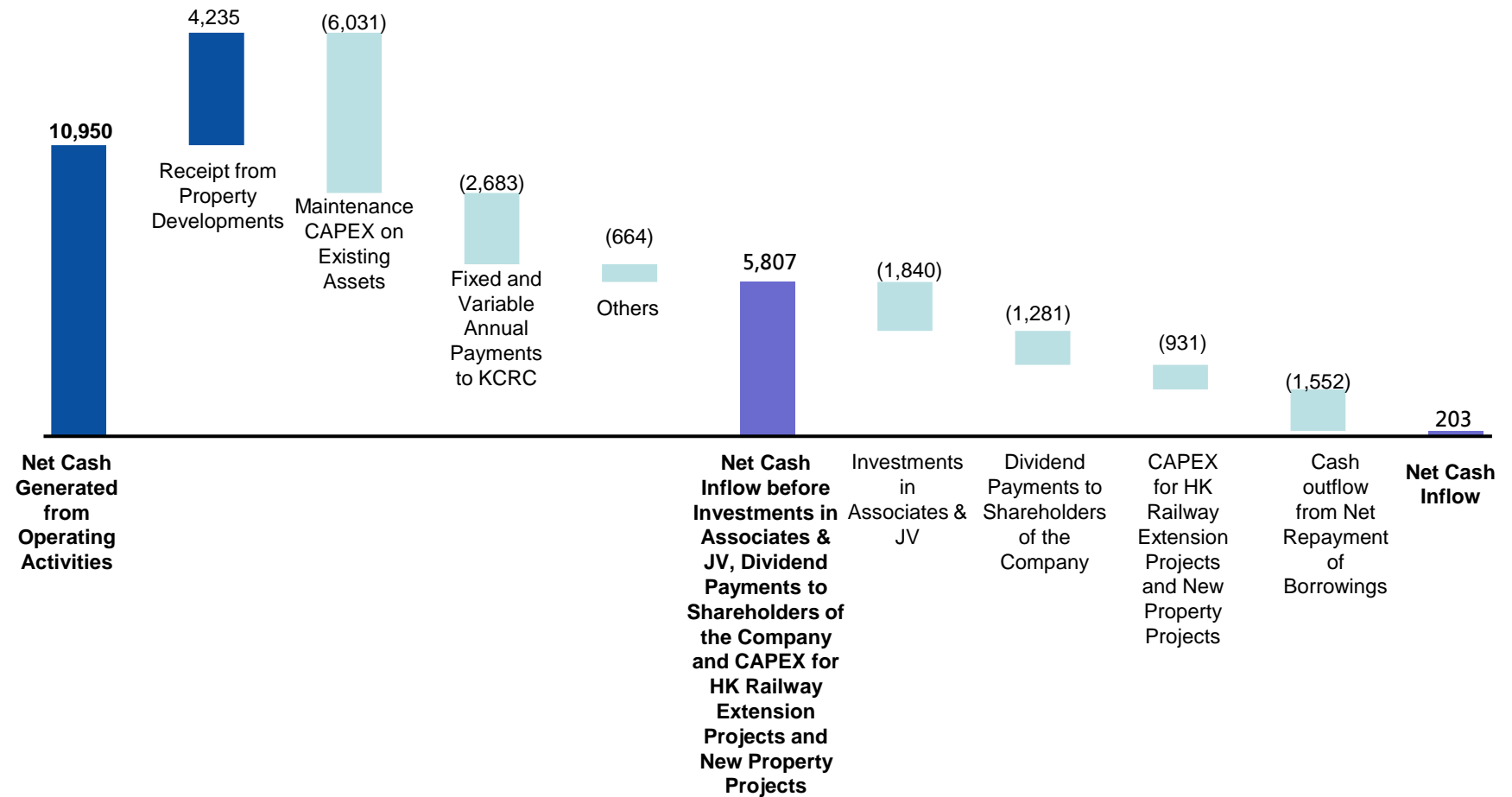
5. Includes our share of tax incurred by railway associates and joint venture

# Consolidated Statement of Financial Position

	31 Dec 2018	31 Dec 2017	Increase/ (Decrease)	
(HK\$m)			HK\$m	%
<b><u>Assets</u></b>				
Investment properties	82,676	77,086	5,590	7.3
Other property, plant and equipment	102,776	102,889	(113)	(0.1)
Service concession assets	30,473	29,797	676	2.3
Property development in progress	14,840	14,810	30	0.2
Interests in associates & joint venture	8,756	6,838	1,918	28.0
Properties held for sale	1,369	1,347	22	1.6
Debtors and other receivables	9,576	7,058	2,518	35.7
Amounts due from related parties	2,088	2,570	(482)	(18.8)
Cash, bank balances and deposits	18,022	18,354	(332)	(1.8)
Others	4,111	3,019	1,092	36.2
<b>Total Assets</b>	<b>274,687</b>	<b>263,768</b>	<b>10,919</b>	<b>4.1</b>
<b><u>Liabilities</u></b>				
Debts	40,205	42,043	(1,838)	(4.4)
Creditors and other payables	25,947	28,166	(2,219)	(7.9)
Current taxation	1,161	1,080	81	7.5
Amounts due to related parties	2,676	2,226	450	20.2
Obligations under service concession	10,409	10,470	(61)	(0.6)
Deferred tax liabilities	12,979	12,760	219	1.7
Others	691	597	94	15.7
<b>Total Liabilities</b>	<b>94,068</b>	<b>97,342</b>	<b>(3,274)</b>	<b>(3.4)</b>
<b>Total Equity</b>	<b>180,619</b>	<b>166,426</b>	<b>14,193</b>	<b>8.5</b>

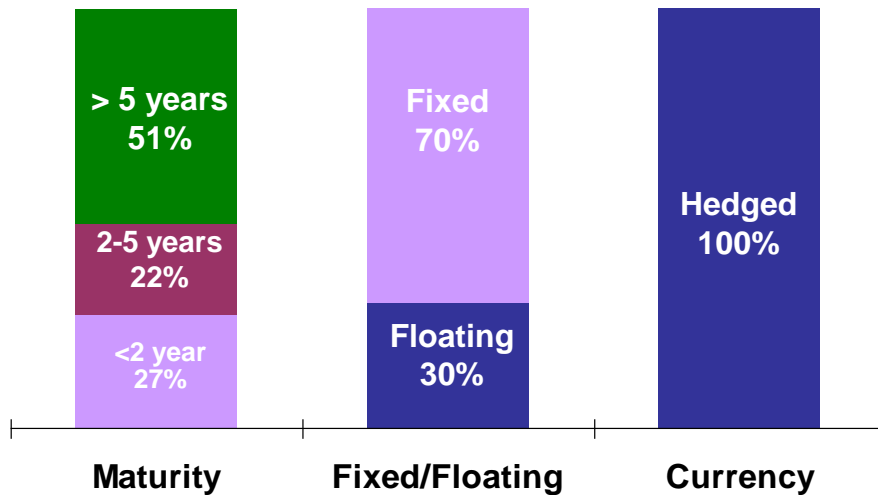
# Cash Flow (for the year ended 31 Dec 2018)

(HK\$m)



# Financing and Credit Ratios

## Company Debt Profile (31 Dec 2018)<sup>(1)</sup>



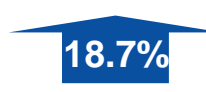
Consolidated group borrowings outstanding:

**HK\$40,205m** (HK\$42,043m as at 31 Dec 2017)

Average borrowing cost: **2.8%**



Net interest expense: **HK\$1,074m**



Compared to 2017 figures

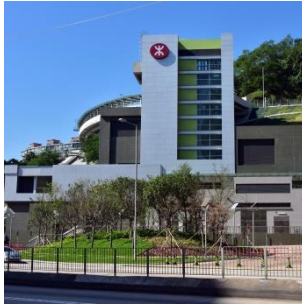
Net Debt / Equity ratio <sup>(2)</sup>	31 Dec 2018	31 Dec 2017
	18.1%	20.6% <sup>(3)</sup>
Interest cover	2018	2017
	13.6x	15.0x

1. Excludes Mainland of China and overseas subsidiaries debts

2. Including obligations under service concession and loan from holders of non-controlling interests as components of debt

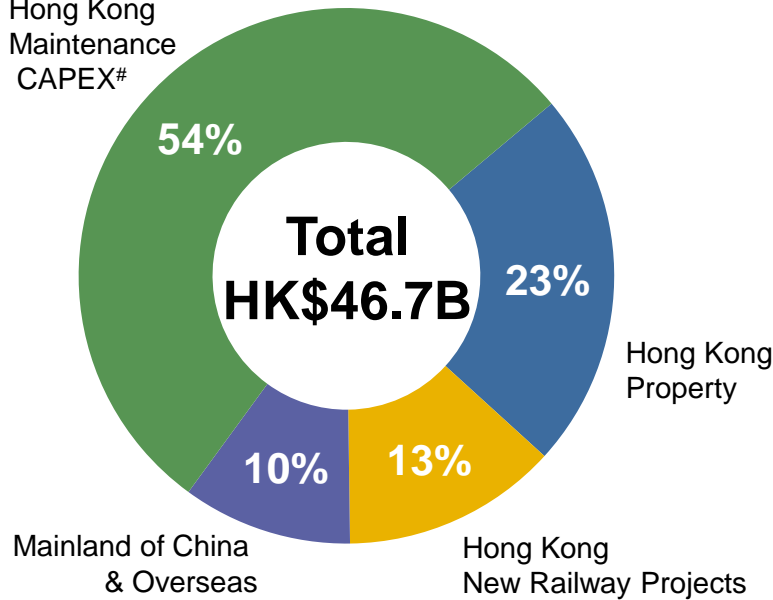
3. If the cash received from a developer relating to a land premium payment was excluded from the cash balance, the Group's net-debt- to-equity ratio at 31 Dec 2017 would have been 23.7%

# Capital Expenditure & Investments



2019-2021

Hong Kong  
Maintenance  
CAPEX#



## Estimated spend:

2019 - HK\$16.7 billion

2020 - HK\$14.7 billion

2021 - HK\$15.3 billion

---

Total - HK\$46.7 billion

# Includes the Maintenance CAPEX for the Existing Railway Assets and Advance Railway Works related to SCL

The Advance Railway Works related to SCL involve modifications to or upgrades or expansion of assets for which MTR is responsible under the existing service concession agreement with KCRC. This will predominantly be covered by the reduction in future maintenance CAPEX during the construction period of SCL Project which MTR would have otherwise incurred



## Outlook

# Outlook

## Hong Kong Transport Operations

- Full-year operation from HSR will support an increase in passenger volume
- Feasibility study on opening the Tuen Ma Line in phases.

## Station Commercial and Property Rental

- Subject to market conditions though partly moderated by the stable rent structure in the typical three-year tenancy cycle.

## Business Outside of Hong Kong

- Still working to overcome the challenges faced by Stockholm commuter rail in Sweden and the South Western Railway franchise in the UK
- Open three new lines namely, Sydney Metro Northwest, Macau LRT Taipa Line and Hangzhou Line 5

## Property Development Businesses

- Profit booking of LOHAS Park Package 5 and LOHAS Park shopping centre is now depending on the construction progress
- Over the next 12 months, subject to market conditions, aiming to tender out, LOHAS Park Package 11 & 12 and Wong Chuk Hang Station Package 4.
- Presale of LOHAS Park Package 7