

Wuhan

Beijing

Shenzhen

Hangzhou

London

Becoming  
**ONE International  
Enterprise**

Leveraging on our enhanced expertise and resources,  
we are investing in exciting new growth opportunities for the future



Tianjin

Suzhou



## Executive Management's Report Overseas Growth



*14 stations have been handed over to the B JL4 PPP company to start E&M installation*

2007 saw progress in our international business. The winning of the London Overground concession by our 50:50 joint venture MTR Laing Metro Limited (now renamed as London Overground Rail Operations Ltd (LOROL)) was a major highlight of the year. Steady progress was made on the Beijing Metro Line 4 (BJL4) project, while we continued with discussions to seek approval for the Shenzhen Metro Line 4 (SZL4) project.

### **Mainland of China**

In Beijing, the Public-Private Partnership (PPP) company comprising the Company (49%), Beijing Infrastructure Investment Co. Ltd. (2%) and Beijing Capital Group (49%) made steady progress on the B JL4 project.

Tendering for the Electrical & Mechanical (E&M) Works contracts was substantially completed. Design works and manufacturing for E&M equipment including the automatic fare collection, station communications, radio, transmission, fire alarm system, passenger information display system and building automation system, advanced smoothly. We made good progress on the internal fitting out and equipment assembly works for the first two trains for which testing and commissioning works commenced in December 2007. Progress of the tunnel works, which are the responsibility of Beijing Municipal Government, was satisfactory with 85% of the works completed by the construction company related to the Beijing Municipal Government. All tunnelling works should be completed by May 2008. 14 stations have been handed over to the B JL4 PPP company to start E&M installation.

Due to land resumption issues at Majialou depot, the civil construction programme of the depot, which is the responsibility of the Beijing Municipal Government, is behind schedule. Measures have been taken to minimise the possible impact on the scheduled line opening date in October 2009.

As a reflection of the high standards reached, the quality management system of the PPP company was granted ISO9001 certification in April 2007.



*The Company's Projects Director Russell Black and CEO Chow Chung-kong discuss finer points of the B JL4 project*

## Beijing Metro Line 4

### Tendering for E&M

Works Contracts Substantially Completed

Started

### Rolling Stock and Locomotive Manufacturing

### 268 Operations Staff

Commenced Training in September 2007

## London Overground

### Won London Overground Concession

Concession Successfully Started on

11 November 2007

107.2 Kilometres

Total Route Network



*Steady progress was made on the Beijing Metro Line 4 (BJL4) project*

A senior operations team was established during the year and pre-operation planning is well underway. The PPP company joined hands with the Beijing Communication School to co-organise operations training classes with the aim of training qualified operations staff. 268 station controllers, train drivers and maintenance personnel started the one-and-a-half years' training in September 2007. A detailed operations plan highlighting the operations model for train services, station services, customer services, maintenance strategies and staff training is being formulated.

In Shenzhen, we continued to support the Shenzhen Municipal Government in obtaining final approval for the SZL4 project from the National Development and Reform Commission. In the meantime, preparatory work and expanded trial section work continue with undertakings from the Shenzhen Municipal Government to reimburse certain of the costs incurred if the project is not approved. Under the current policy relating to property development in China, the public sector funding

support to this project is likely to take other forms than the grant of property development rights. The Company will ensure that the project, if approved, will provide satisfactory returns to our shareholders.

We continue to seek further investment opportunities in the Mainland of China. During the year, we pursued projects in Beijing such as the BJL4 Extension to Daxing District, as well as the development of new metro lines in Hangzhou, Suzhou, Tianjin and Wuhan. In January 2007, we signed a Memorandum of Understanding with Suzhou Municipal Government for feasibility studies and the development of a business model for Suzhou Metro Line 1 and 2.

### Europe

Our strategy in Europe remains "asset light", focusing on operating concessions in the railway and metro markets. In line with this, our 50:50 joint venture with the UK's Laing Rail (now being acquired by Deutsche Bahn group), LOROL, won the London Overground concession on 19 June 2007 and we took over the concession on 11 November 2007.

Under this concession, LOROL operates train services on five existing lines in Greater London for seven years, with an option for a two-year extension at the discretion of Transport for London (TfL). The cost-based operating concession, which is overseen by TfL, will receive an amount of about £700 million over the lifetime of the contract, which should cover operating costs and include an expected profit margin for LOROL.



*The winning of the London Overground concession was a major highlight of the year*



*Many service improvements are planned for London Overground*

London Overground is a semi-orbital route serving West, North and East London and will be a vital link for the 2012 Olympic Games. The total route network measures 107.2 kilometres and under the concession, LOROL will eventually manage 55 of the 78 stations on the network. Among the five lines, the East London line is currently undergoing an extensive renovation and upgrade programme and is scheduled to re-open in 2010.

Some of the service improvements planned for London Overground include the introduction of a more comprehensive ticketing system, a phased programme of station upgrades to improve comfort and security for passengers, as well as the introduction of a fleet of new trains from 2009. The cost of these improvements will be paid by TfL, although for station upgrades certain cost overrun risks will be borne by LOROL.