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Mainland and Overseas Growth

742 km

total route length of railway operations outside of Hong Kong



Hangzhou Metro Line 1

commenced operation in November 2012

Excellent Performance



in supporting London Olympics 2012



The Company's business in the Mainland of China has grown steadily

Revenue in 2012 from Mainland of China and international subsidiaries was HK\$12,786 million, of which our railway subsidiaries outside of Hong Kong, namely Metro Trains Melbourne Pty. Ltd. ("MTM"), MTR Stockholm AB ("MTRS") and MTR Corporation (Shenzhen) Limited ("SZMTR"), contributed HK\$12,650 million, an increase of 3.0% over 2011, mainly due to the inclusion of results for SZMTR for a full year as well as increases in receipts by MTM. Revenue from our Mainland of China property rental and management subsidiaries totalled HK\$136 million. Operating costs for our railway subsidiaries outside of Hong Kong were HK\$12,066 million, resulting in a 30.1% rise in operating profit to HK\$584 million and an operating profit margin of 4.6%. Although MTM is performing financially to original bid expectations, both MTRS and SZMTR are currently not meeting such targets.

Our associates, Beijing MTR Corporation Limited ("BJMTR"), London Overground Rail Operations Limited ("LOROL") and Tunnelbanan Teknik Stockholm AB, all improved their performance, with a noticeable enhancement in results from

BJMTR aided partly by a one-off accounting adjustment after the finalisation of its accounts for the year 2011. We have also included the results of our 49% owned associate in Hangzhou, namely Hangzhou MTR Corporation Limited ("HZMTR"), with the commencement of operations of Hangzhou Metro Line 1 ("HZL1") on 24 November 2012. As a result, total contribution from these four associates rose by HK\$126 million to HK\$242 million compared with 2011. Excluding the one-off BJMTR adjustment, the total contribution would have been HK\$176 million in 2012.

Total passengers carried by our rail subsidiaries and associates outside of Hong Kong was approximately 1,171 million in 2012, against approximately 1,065 million in 2011.

Railway Business in the Mainland of China

In the Mainland of China, BJMTR, the operator of Beijing Metro Line 4 and the Daxing Line, continued to deliver very high levels of punctuality and delivery. As a member of the China Communication and Transportation Association which assesses quarterly performance, BJMTR was ranked amongst the top three metro operators in the Mainland of China. Combined ridership in 2012 was 427 million passenger trips with average daily patronage of over 1.17 million. BJMTR, which currently has two lines with 35 stations and a route length of 50 km, has now carried over 1 billion passengers since BJL4 service commenced in September 2009.

In its first full year of operation, Shenzhen Metro Longhua Line's operational performance has exceeded targets and contractual commitments. Ridership for the year was 117 million, with average daily patronage reaching 320,000. This is below original expectations and is partly due to the under development of areas along the alignment. The line runs 20.5 km and has 15 stations.

In 2010, we established a joint venture, HZMTR, with Hangzhou Metro Group Company Limited, in which MTR Corporation holds 49% and Hangzhou Metro Group Company Limited holds 51%, to operate HZL1. HZMTR commenced operation of HZL1, which has a route length of 48 km and 31 stations, in November 2012. Since its opening, HZL1's service performance has been very reliable, with an average daily patronage of 150,000.

Railway Business Overseas

In the UK, the final phase of the East London Line was commissioned in December 2012, completing the orbital loop around London and adding a further two stations and 12 km to the LOROL network, which now extends to 57 stations over 124 km. LOROL successfully met the considerable transport challenges presented by the 2012 London Olympics, with on-time performance of 98%, even though passenger numbers were 25% above normal levels. Compliments were received

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from the UK Department for Transport and Transport for London, which recognised both our excellent performance and our significant support for the Olympic events through a cooperative and effective partnership. LOROL also achieved a customer satisfaction rating of 90% or more during the year, which is among the highest of any franchise or concession in the UK, according to the survey conducted by the independent passenger watchdog, Passenger Focus. These achievements were recognised when LOROL was named London's Public Transport Operator of the Year for the second year in a row in 2012. It was also recognised as the World's Most Improved Metro at the Metrorail Awards in London. In recognition of its outstanding performance over the past five years, LOROL has secured a two-year extension of its franchise to operate and maintain the London Overground rail services to November 2016. For the year, ridership was approximately 80 million, with average weekday patronage reaching 380,000.



CEO Jay Walder is equally "hands on" in Stockholm

In Sweden, although MTR's has been underperforming financially due to higher than expected expenses relating to station cleaning, its operating performance has continued to improve, with punctuality reaching 95.2% in 2012, which is above contractual requirements. Ridership for the year was 320 million, with average weekday patronage reaching 1.2 million. The line has 100 stations and runs 110 km.

In Melbourne, MTM's network expansions during the year have increased the number of stations from 212 to 217, with the route network expanding from 372 km to 390 km. Timetable changes and a continued focus on operational performance resulted in steadily improving punctuality to 91.1% for the year, which is the highest since the commencement of franchise in November 2009. Ridership for the year was around 221 million, with average weekday patronage remaining steady at around 790,000 journeys per day. Works on the Regional Rail Link Project have been ramping up and the project remains on schedule for completion by 2015. This new line will provide a dedicated alignment for V-line trains into the Melbourne central business district, alleviating disruption to MTM's metro network.

Property Development, Rental and Management Businesses in the Mainland of China

During the year, MTR Property Development (Shenzhen) Company Limited was established to develop associated properties at Shenzhen Metro Longhua Line Depot Site Phase 1, after receiving official endorsement from the Ministry of Finance in Beijing in November 2012. Land premium of RMB1,977 million was paid on 24 January 2013 and the development is expected to cost approximately of RMB4 billion. The total developable gross floor area of the site is approximately 206,167 square metres and when completed will comprise of around 1,700 flats.

Revenue from our property rental and property management businesses in the Mainland of China increased by 3.0% to HK\$136 million in 2012.

Our shopping mall in Beijing, Ginza Mall, maintained its occupancy rate of 98% at the end of 2012 and rental reversion for the year was 7.2%.

The Company's managed commercial and residential space in the Mainland of China was 233,000 square metres at the end of 2012. This comprises AO City Fortune Centre in Beijing, with 22,000 square metres of commercial and 63,000 square metres of residential space, and the shopping mall and office of the North Star in Beijing with 148,000 square metres of commercial space.

Growth in the Mainland of China and Overseas

In Beijing, BJMTR signed an interim Operating and Maintenance Agreement for Beijing Metro Line 14 ("BJL14") in October 2012 and initialled the Concession Agreement with the Beijing Municipal Government in November 2012. BJL14 will have a capital cost of approximately RMB50 billion. Under the 30-year Public-Private-Partnership agreement, BJMTR will mainly be responsible for the E&M and rolling stock assets estimated to cost RMB15 billion, funded by a combination of equity and debt, whilst the Beijing Municipal Government will fund the balance. MTR will contribute additional equity investment of approximately RMB2.2 billion to BJMTR. The



Hangzhou Metro Line 1 trains began operations in November 2012



LOROL met the challenge of the 2012 London Olympics

“Total passengers carried by our rail subsidiaries and associates outside of Hong Kong was approximately 1,171 million in 2012...”

47.3-km line has 37 stations with ten interchange stations. It stretches from Zhangguozhuang Station in the southern Fengtai District to Shangezhuang Station in the eastern Chaoyang District. Construction work for the line started in 2010 and it is planned to open in phases. Phase 1 of approximately 12.7 km is expected to open in mid 2013, Phase 2 in 2014 and Phase 3 in 2016.

In the UK, we submitted a bid for the Essex Thameside franchise in September 2012, but following a legal challenge from one of the failed bidders on the tendering of another franchise, the UK Government suspended all franchise competitions in

October 2012 and initiated an independent review of the UK's entire rail franchising process. This review was completed in early 2013 and the Department for Transport announced that a revised invitation to tender for the Essex Thameside franchise will be issued to bidders later in 2013. Similarly in the case of the Thameslink franchise, for which we were also shortlisted, we expect a revised timetable for the tender competition to be announced in the spring of 2013.

In Australia, we have joined a consortium to bid for the Sydney North West Rail Link “Operations, Trains and Systems Package”.

Mainland of China and Overseas Railway Businesses at a Glance

	In Operation								Pending Finalisation of Agreement
	Mainland of China				Overseas				
	Beijing Metro Line 4 ("BJL4")	Daxing Line of BJL4	Shenzhen Metro Longhua Line	Hangzhou Metro Line 1	London Overground, United Kingdom	Stockholm Metro, Sweden	Melbourne Metro, Australia	Beijing Metro Line 14, Mainland of China	
MTR Corporation Shareholding	49%	49%	100%	49%	50%	100%	60%	49%	
Business Model	Public-Private-Partnership ("PPP")	Operations and Maintenance ("O&M") Concession	Build-Operate-Transfer ("BOT") [^]	PPP	O&M Concession	O&M Concession*	O&M Concession	PPP	
Commencement of Franchise/ Expected date of commencement of operation	Sep 2009	Dec 2010	Phase 1: Jul 2010 Phase 2: Jun 2011	Nov 2012	Nov 2007	Nov 2009	Nov 2009	Phase 1: Mid 2013 Phase 2: 2014 Phase 3: 2016	
Franchise/Concession Period (years)	30	10	30	25	9	8	8	30	
Number of Stations	24	11	Phase 1: 5 Phase 2: 10	31	57 [®]	100	217	Phase 1: 7 Phase 2 and 3: 30	
Route length (km)	28	22	Phase 1: 4.5 Phase 2: 16	48	124	110	390	Phase 1: 12.7 Phase 2 and 3: 34.6	

[^] Shenzhen Metro Longhua Line Phase 1 assets are owned by the Shenzhen Municipal Government and MTR Corporation (Shenzhen) Ltd took over the operation of Phase 1 in Jul 2010.

* Rolling stock maintenance under a 50:50 joint venture between MTR Stockholm and Mantena AS.

[®] This represents the number of stations operated and managed by LOROL. The total number of stations served by London Overground is 83.