

# Chairman's Letter

To succeed as a truly sustainable business, we must operate responsibly – balancing the current and future needs of our stakeholders and embedding the sustainable thinking that is integral to the Company's long-term success throughout our businesses.



## Dear Shareholders and other Stakeholders,

The first half of 2015 saw steady growth in our businesses in Hong Kong and further progress in our growth initiatives in the Mainland of China and overseas. Our transport operations in Hong Kong continue to deliver world leading standards of service whilst our station commercial and property rental businesses leveraged off economic growth in Hong Kong. Solid demand for primary residential properties in Hong Kong led to strong sales of the Hemera development (LOHAS Park Package 3) and the successful tender of further property development packages.

The opening of Sai Ying Pun Station on the Western extension of the Island Line on 29 March marked the final station to come into service on this extension, which has been warmly welcomed by residents and passengers. The remaining four new rail extension projects in Hong Kong continued to make progress over the period, although both existing and new challenges in construction have necessitated further revisions of completion timetables and/or project costs estimates. The Board of the Company and various Board Committees, particularly the Capital Works Committee, together with the management team, are intensely focused on managing project timelines and costs. Our enhanced governance framework for these projects is critical in ensuring the delivery of the new lines for the people of Hong Kong.

Outside Hong Kong, we are engaged in the construction of new rail lines in Beijing and Sydney, while in the UK we started the new Crossrail service and in Sweden, the Stockholm/Gothenburg intercity service. In Shenzhen, presale of Tiara, our first property development in the Mainland of China, met with enthusiastic demand.

Our financial results for the first six months of 2015 reflect the steady growth of our businesses. Recurrent profit after tax, being underlying profit before property development profit and investment property revaluation attributable to equity shareholders, increased by 7.9% over the same period last year to HK\$4,516 million. With post-tax property development profit of HK\$2,311 million, underlying profit before investment property revaluation rose by 55.5% to HK\$6,827 million. Including the revaluation of our investment properties, the net profit attributable to shareholders was HK\$8,189 million, representing earnings per share, after such revaluation, of HK\$1.40. Your Board has declared an interim dividend of HK\$0.25 per share.

## Building Value for the Long Term

Our public transport expertise has enabled us to move into rail and related sectors outside of Hong Kong, supporting our long-term vision of being a leading multinational company, while continuing to enhance our core Hong Kong businesses.



In Hong Kong, on an annual basis, we spend over HK\$6 billion on maintaining and renewing our rail assets in order to maintain our world leading standards of service. In addition, we have recently committed about HK\$10 billion to replace both the signalling system and 93 8-car trains currently serving on MTR lines in the urban area.

With progress made in our extension projects and with our network growing, we play a critical role in bringing communities together and making railway the backbone of Hong Kong transportation. We will continue to support Government in the delivery of new railways for the community.

We are expanding our shopping centre portfolio in Hong Kong through new additions in Tai Wai and LOHAS Park and through the enhancement of our existing malls Maritime Square and Telford Plaza, adding about 120,620 square metres (gross floor area) of retail space, an increase of approximately 40% in the attributable gross floor area of our existing retail portfolio. We will continue to tender property development packages in Hong Kong and are also exploring opportunities for other possible development sites along our railway lines.

We continue to enjoy strong business momentum in the Mainland of China, Australia, the UK and Sweden. New opportunities being pursued in these countries include an additional rail line in Beijing (Beijing Metro Line 16) as well as bids for the re-franchising of London Overground in the UK and the Pendeltåg operation and maintenance concession in Sweden.

## Corporate Responsibility

To succeed as a truly sustainable business, we must operate responsibly – balancing the current and future needs of our stakeholders and embedding the sustainable thinking that is integral to the Company's long-term success throughout our businesses.

We believe that good corporate governance is fundamental in ensuring that the Company is well managed in the interest of all of its stakeholders. Good corporate governance enables us to act in a responsible manner, but also allows us to be more resilient, so that we can be better prepared for future

challenges. To enhance governance, over the last 12 months the Board has added both the Capital Works Committee and the Risk Committee.

Our approach involves operating responsibly, by providing a safe environment for all of our users, by effectively meeting or exceeding customers' expectations, by retaining and developing our staff, by managing our impact on the environment, by working with our suppliers and partners and, more importantly, by contributing positively to the communities in which we operate. Underpinning this approach is our sustainable financial model, allowing us to provide reasonable returns to capital providers, while being a responsible enterprise that builds and connects communities with caring service. For the past 15 years, as a pioneer in sustainability disclosure, we have provided a detailed account of our approach and performance in these areas through our annual Sustainability Report. In May, we published our Sustainability Report 2014 with a new, user-friendly format both in print and online.

### Operating Responsibly

Our well-trained and dedicated staff consistently ensure that train service performance is at world class levels. In the first six months of 2015, we saw improved safety performance, particularly on our Hong Kong Heavy Rail network, a testament to our uncompromising "Safety First" culture. Train service delivery and passenger journeys on-time in our Heavy Rail network were maintained at 99.9%, with only five delays lasting 31 minutes or more attributable to factors within MTR's control. This is world leading performance.

In the first half of 2015, as part of our Listening • Responding programme, we continued to upgrade and improve the transport network in Hong Kong to meet the growing needs of our customers by, among other things, improving train frequencies, enhancing accessibility and convenience with street-level lifts and public toilets, and improving passenger information display systems to enable enhanced communication. On fares, we currently offer an annual HK\$2.2 billion in promotions and concessions, which benefit passengers such as children, students, the elderly and frequent travellers. For 2015/16, we are adding a package of further fare promotions totalling over HK\$500 million.

# Chairman's Letter

In relation to our staff, we continued our recruitment efforts at every level in Hong Kong through more walk-in recruitment days and job fairs in MTR stations in the first half of this year. With our growing portfolio of operations outside of Hong Kong, in March, we established a Global Mobility Policy to facilitate global resource deployment and provide consistent relocation terms across global offices.

Our aim is to become one of the most resource-efficient and ecologically sustainable railway and property service companies in the world.

In our rail services, electrically-powered mass railway is generally acknowledged to be the most environmentally sustainable way to transport the world's growing and urbanising populations. We believe that our most significant contribution to the environment arises from the impacts that do not occur as a result of our services. For example, in the cities in which we operate, the provision of efficient mass railway services leads to cleaner air, less congested roads and makes better use of limited land resources than would be the case if passengers used other modes of transport.

In general, our environmental efforts are focused on implementing energy efficiency measures, applying environmental management systems across all of our operations and executing specific initiatives where we can make a difference such as the "MTR Malls Food Waste Reduction Pledge" incentive scheme which has successfully led to the introduction of food waste reduction practices on the part of our retail tenants.

We work closely with our suppliers and partners to achieve our shared objectives of quality, effectiveness and a commitment to corporate responsibility. We continue to uphold the requirements under our Supplier Code of Practice with our suppliers which provides a basic, compulsory behavioural framework for ethical standards, human and labour rights, and supply chain management.

## Contributing to the Community

### Youth

In its sixth year, our mentoring and life skills training programme – "Friend" for Life's Journeys", matched about 120 secondary school students from the Kwun Tong District with the Company's younger staff members who serve as mentors or "MTR Friends" to inspire and guide the students over an eight-month period. Graduates from tertiary institutions who had previously taken part in MTR's Customer Service Ambassadors Scheme also joined in to serve as "MTR Friends". In July 2015, we kicked off the

seventh year of "Train' for life's journeys", a programme that provides around 100 secondary school students with workshops and work experience at the Company during the summer break. This year, the programme won The Association for Talent Development "Excellence in Practice" award out of 125 entries from around the world.

### Arts

MTR's art journey continues to move forward with new and exciting developments through the "art in mtr" initiative.

Around ten major art exhibitions are planned for 2015. In support of Hong Kong Arts Month, our "art in mtr – arttube" gallery in Central Station showcased the work of contemporary Hong Kong artists in an exhibition organised by the Hong Kong Tourism Board. The exhibition displayed paintings, sculptures and installations of 11 acclaimed artists from the Jockey Club Creative Arts Centre, which explored life and art through innovative perspectives. We also organised live performances by the Hong Kong Chinese Orchestra and the Hong Kong Dance Company at the "living art" platform in Hong Kong Station.

### Supporting our communities

This year marks the tenth Anniversary of the "More Time Reaching Community" programme, our scheme to support volunteering activities initiated by our employees. In the first half of this year, the scheme has fostered 117 initiatives involving more than 2,100 volunteers. Alongside this, more than HK\$156,000 was raised for charities such as the Community Chest through staff donations during the period. The MTR HONG KONG Race Walking, an annual charity event to raise funds for the Hospital Authority Health InfoWorld, will be held on 13 September 2015.

## Recognition for Corporate Responsibility

Our efforts to balance the needs of our diverse stakeholder community received recognition both at home and abroad.

We are constituents of relevant investor indexes, including the Dow Jones Sustainability Index Asia Pacific, the FTSE4Good Index Series and the Hang Seng Corporate Sustainability Index.

We also received the "10 Years Plus Caring Company Logo" recognition this year and, in the first half of 2015, we gained a number of other awards and certifications for our corporate responsibility practices, including the "Corporate Responsibility Award" in the "Hong Kong Service Awards 2015" for the eighth year in a row from East Week magazine.

## **Board Changes**

I would like to take this opportunity to formally welcome Mr Lincoln Leong to the post of Chief Executive Officer ("CEO") of the Company, which he took up on 16 March 2015, following seven months as Acting CEO. As our first "home-grown" CEO, Lincoln is taking on this important role at a critical time and I am sure that his wealth of experience will enable him to lead the Company to even greater success. I likewise welcome to the Board Mr Hon Chi-keung, who took over the post of Permanent Secretary for Development (Works) on 7 April 2015 from Mr Wai Chi-sing, whom I thank for his valuable contribution; and welcome Mr Lau Ping-cheung, Kaizer and Dr Allan Wong Chi-yun who joined the Board as Independent Non-executive Directors of the Company on 11 August 2015. I would also like to thank Mr T. Brian Stevenson, who retired as an Independent Non-executive Director of the Company on 20 May 2015, and Ms Christine Fang Meng-sang, who resigned as an Independent Non-executive Director of the Company with effect from 11 August 2015, for their contributions to the Company. Mr Stevenson provided a valuable contribution as Chairman of the Company's Audit Committee for many years and Ms Fang was instrumental in guiding the Company's approach to corporate responsibility.

After having served as Chairman of the Board for over 12 years, I will retire from the Board on 31 December 2015, when my current term ends. Over the years since I joined the Company's Board, it has been an exciting journey to witness the numerous milestones that the Company has achieved. I would like to congratulate Professor Frederick Ma Si-hang on his appointment as the future Chairman of the Board, effective from 1 January 2016. Professor Ma joined the Board as an Independent Non-executive Director in July 2013, having been previously a Non-executive Director from 2002 to 2007 in his role, at that time, as the Secretary for Financial Services and the Treasury. I am confident that the Company will continue to reach new heights under Professor Ma's leadership and I wish him all the very best in his new role.

Finally, I wish to thank my fellow directors for their support, as well as all of our staff members, whose ceaseless dedication in carrying out their roles effectively underlies MTR Corporation's ability to deliver excellent service to all our customers around the world year after year.



Dr Raymond Ch'ien Kuo-fung, *Chairman*  
Hong Kong, 13 August 2015