



# MTR Corporation

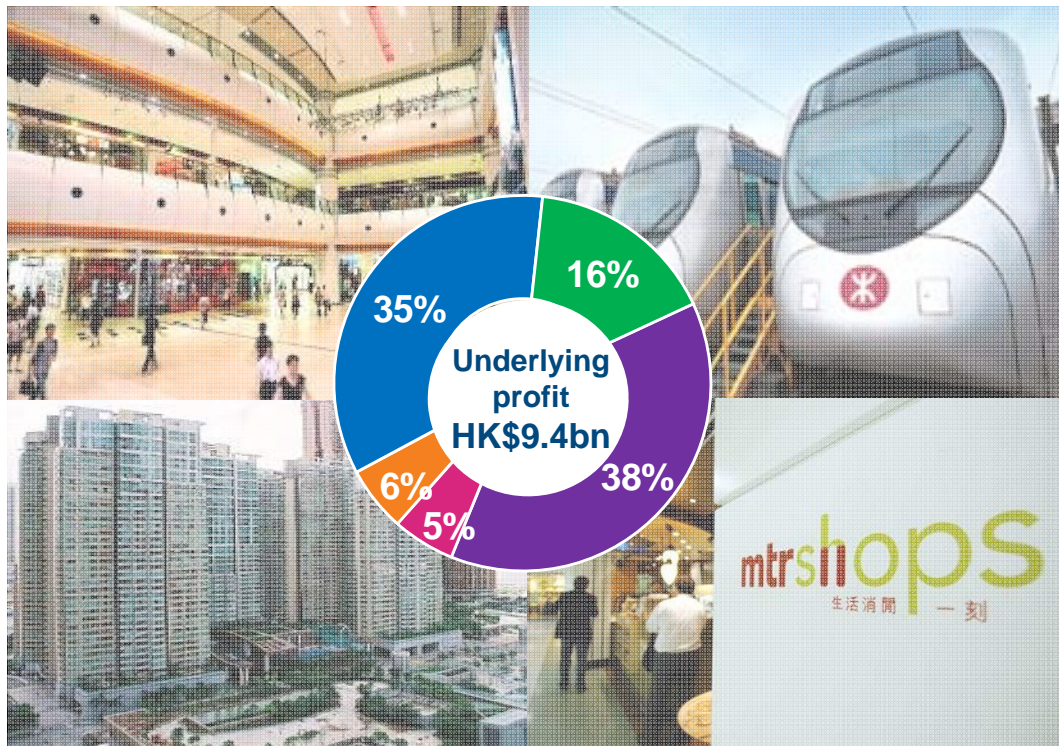
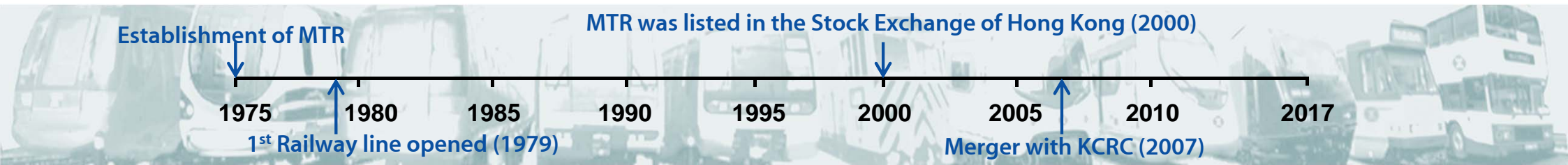
## Company Overview

June to July 2017

# 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.**

# MTR Today



#Include Mainland of China property development profit, 2.8% of total underlying profit

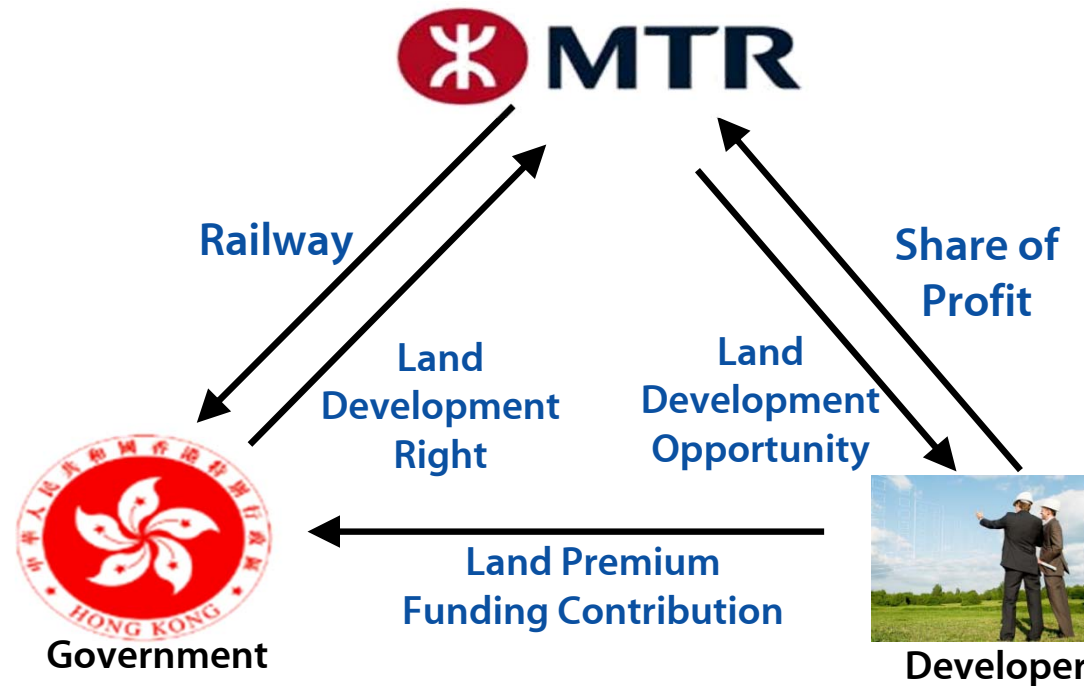
4.1%  
YoY

2016 Recurrent Profit  
**HK\$8.9 billion**  
94% of Underlying Profit

- Transport Operations
- Station Commercial
- Property Rental
- Outside Hong Kong
- Property Development#

**Vision: a leading multinational company that connects and grows communities with caring services**

# Rail + Property Business Model



## MTR leads and coordinates the development processes including:

- Agrees with Government amount of property development rights for new rail extension
- Land premium is negotiated with Government on “greenfield basis”\*, prior to tender being offered to developers
- Tender property packages to developer partners
- MTR contributes property rights, oversees the design & construction
- Developers usually pay for land premium and development costs; MTR may contribute on a case by case basis
- Profit sharing with MTR by *percentage of profits or assets in kind or lump-sum payment*

\*Greenfield basis = market value ignoring the presence of the railway

# Examples of MTR “Rail + Property” Development

## Tung Chung Station Development

- Total GFA: 1,030,634 sq m (Retail: 55,793 sq m; Office: 14,913 sq m)
- ~12,400 residential units



## Tseung Kwan O LOHAS Park Development

- Total GFA: 1,654,600 sq m (Retail: 40,000 - 50,000 sq m)
- ~25,500 residential units



## Kowloon Station Development



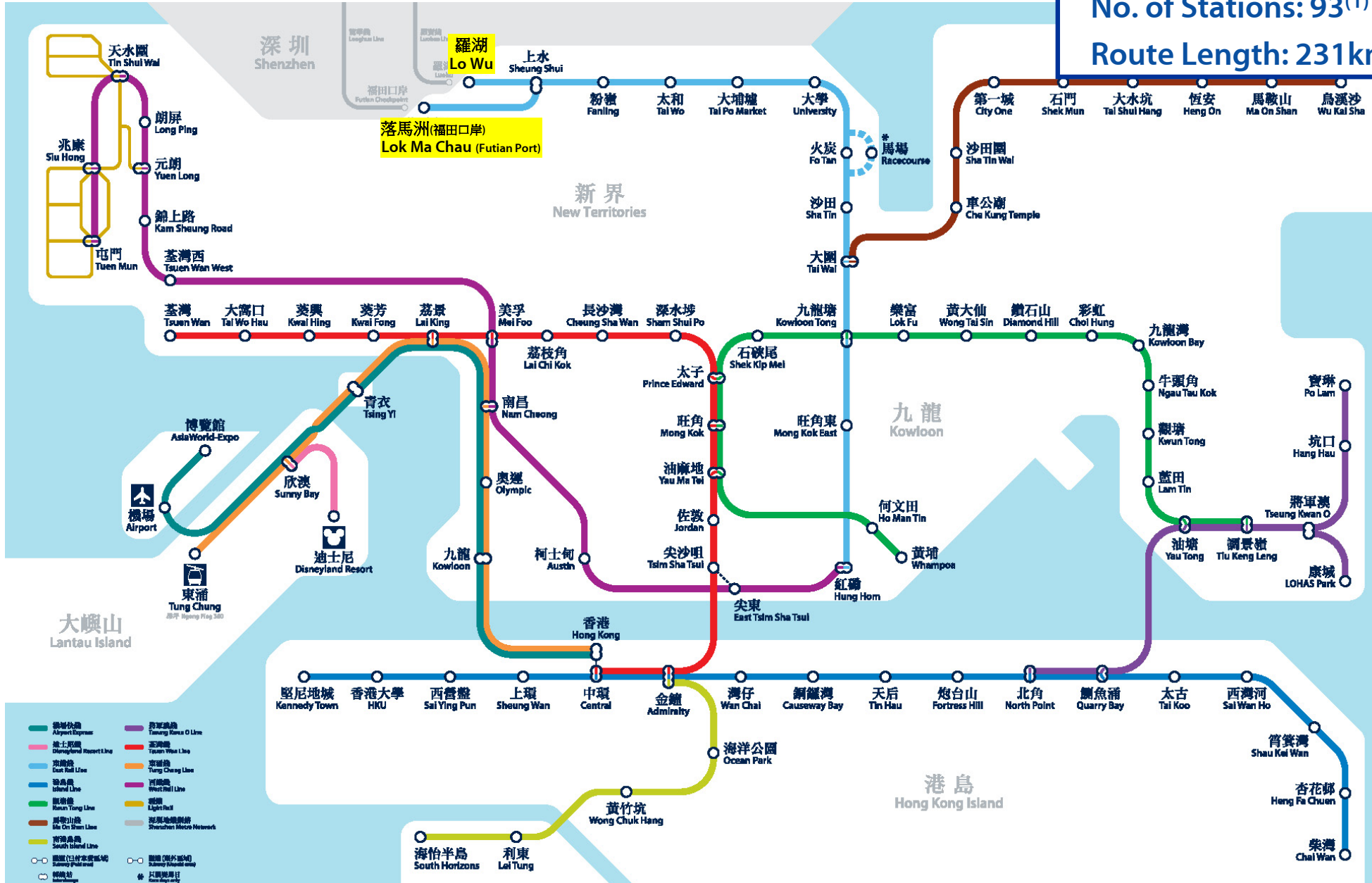
- Total GFA: 1,096,169 sq m (Retail: 82,750 sq m; Office: 231,778 sq m)
- ~5,800 residential units

# Hong Kong Transport Operations



# MTR Network

No. of Stations: 93<sup>(1)</sup>  
Route Length: 231km<sup>(2)</sup>

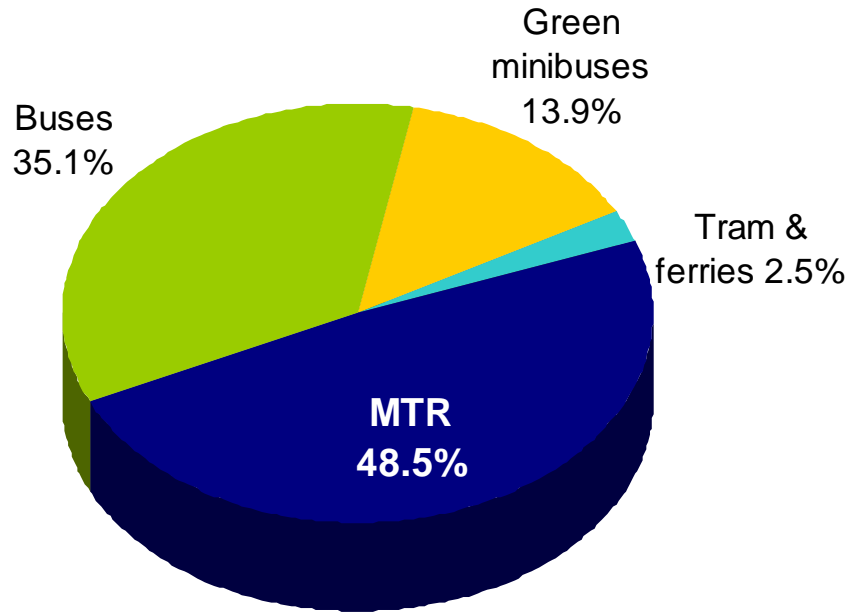


## 3 Rail Segments: Domestic Service, Airport Express and Cross-boundary Service

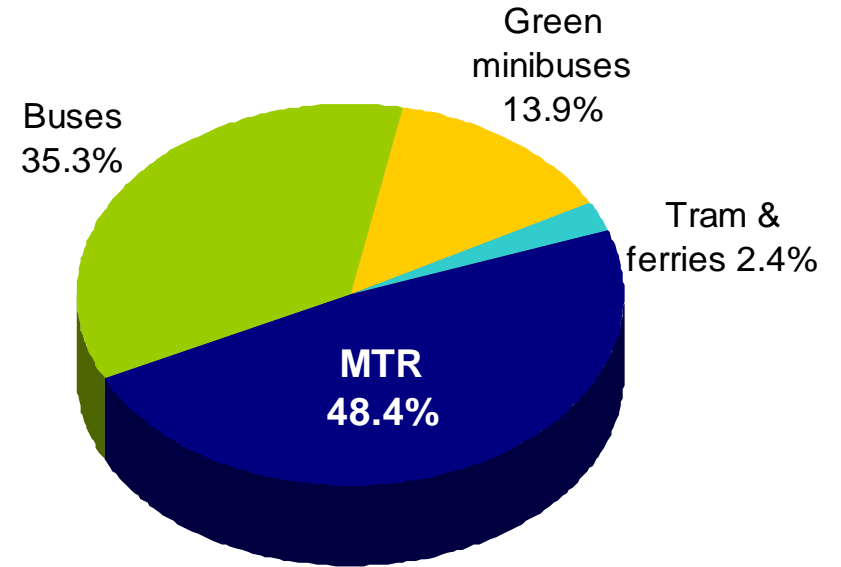
1. 93 heavy rail stations and 68 light rail stops
2. Includes 195km of heavy rail and 36km of light rail

# Market Share

## Hong Kong Franchised Public Transport



2015



2016

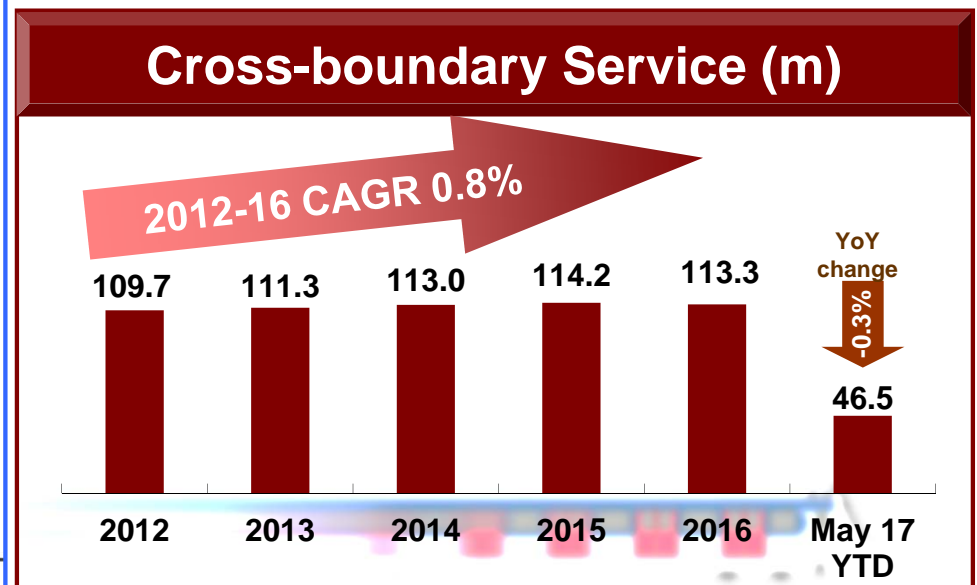
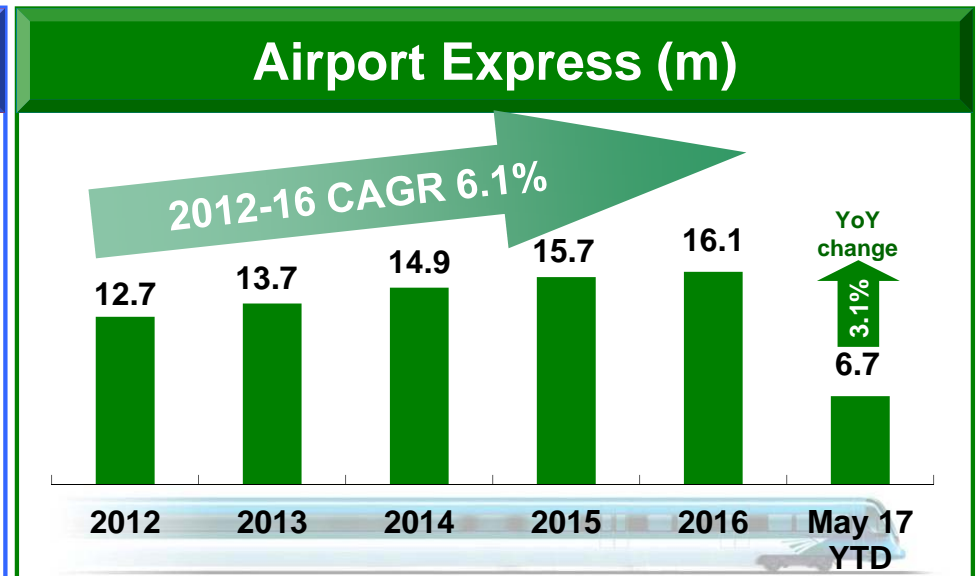
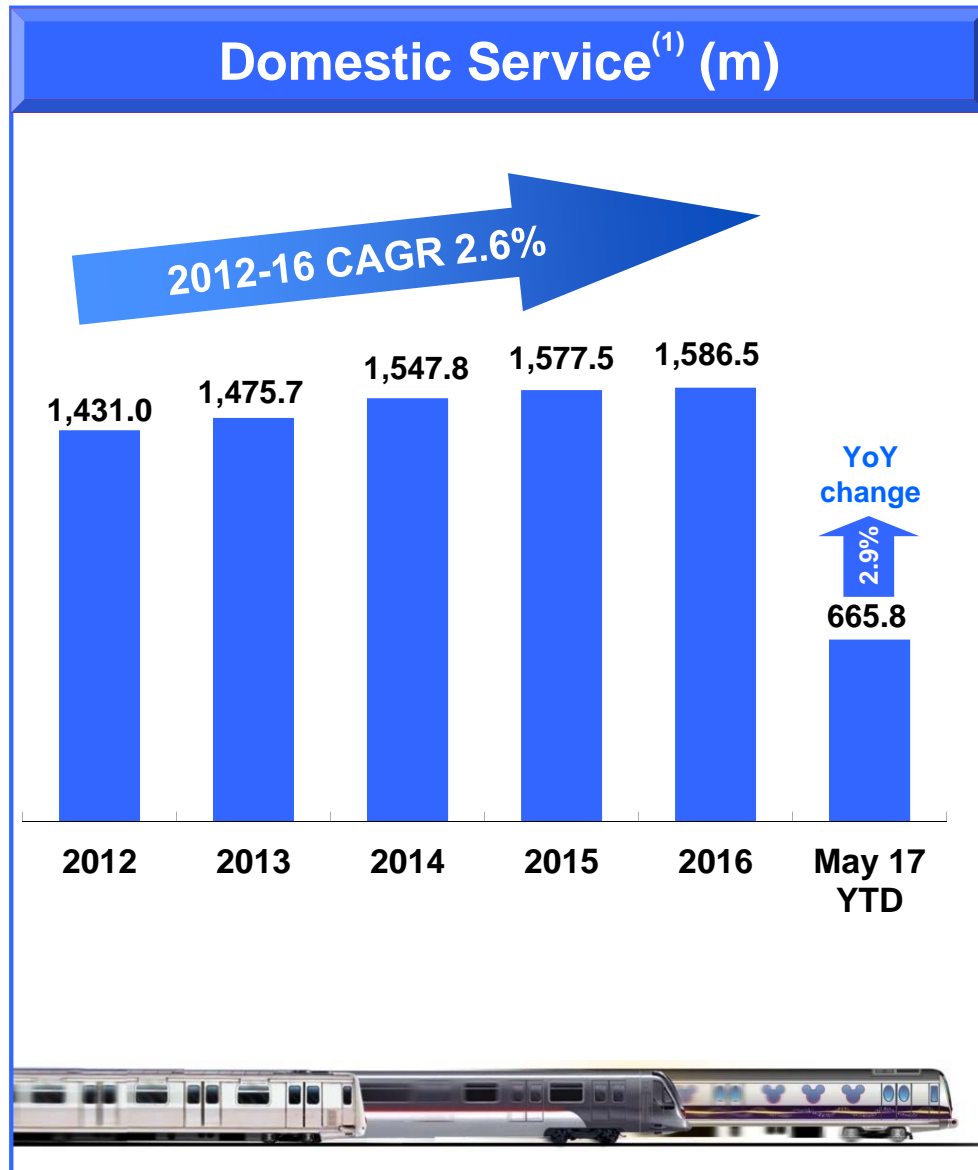
	Airport Express <sup>(1)</sup>		Cross boundary		Cross-harbour	
	Market share (%)	Patronage (m)	Market share (%)	Patronage (m)	Market share (%)	Patronage (m)
<b>2015</b>	21.5	15.7	51.3	114.2	68.8	428.6
<b>2016</b>	21.4	16.1	51.2	113.3	68.6	428.9

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



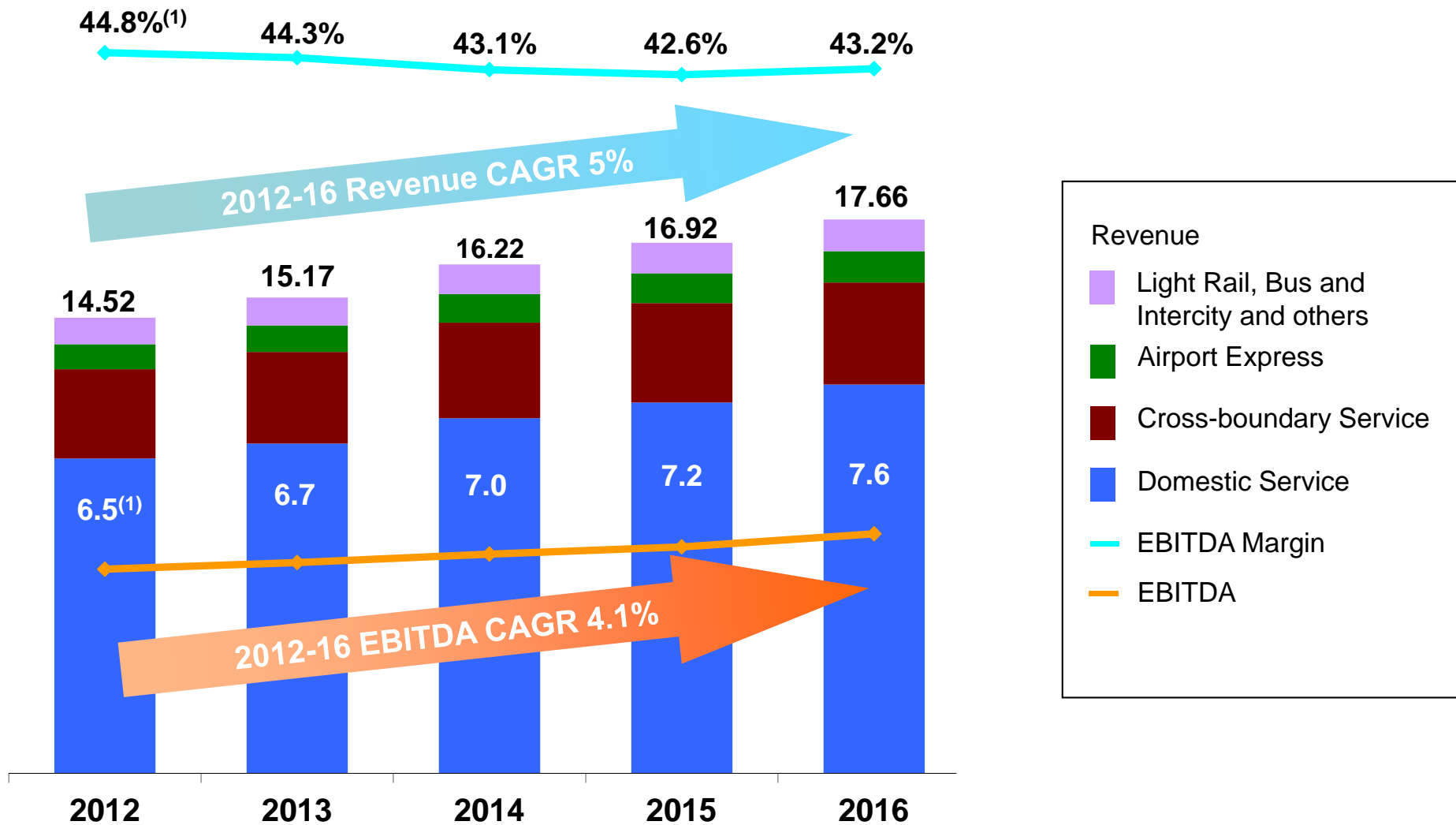
# Patronage



1. 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

# Hong Kong Transport Operations

(HK\$b)



1. Restated due to retrospective adoption of Revised HKAS19, Employee Benefits

# Fare Adjustment Mechanism (FAM)

- FAM – a direct drive mechanism providing a measure of certainty for fare setting
- Next scheduled review in 2022/23

$$\text{Fare Adjustment} = 0.5 * \Delta \text{CCPI} + 0.5 * \Delta \text{WAGE INDEX} - t$$

- Wage index: the yearly percentage change in the Nominal Wage Index (Transportation Sector)
- t: productivity factor

## ■ Productivity Factor

- t = greater of zero and 0.5 x CAGR in **Productivity** over a **reference period (t = 0 from 2017 to 2022)**

- Productivity:  $\frac{\text{HK Transport Operations Revenue}}{\text{HK Transport Operations Expenses}}$

## ■ Fare Promotions – 3% rebate for Every Octopus Trip for at least 6 months (linked to profitability and service performance arrangements), and others

## ■ Special applications from 2017 to 2022

- Fare rise under FAM shall be reduced by 0.6 percentage point from 2017 to 2022
- In 2017, it will be followed by a further 10% discount

## ■ Past Fare Adjustments

2009: +2.05%, effective in June 2010  
2011: +5.40%, effective in June 2012  
2013: +3.60%, effective in June 2014  
2015: +2.65%, effective in June 2016

2010: +2.20%, effective in June 2011  
2012: +2.70%, effective in June 2013  
2014: +4.30%, effective in June 2015  
**2016: +1.49% (rolled over to 2018/19)**

# Hong Kong Station Commercial



# Hong Kong Station Commercial Businesses



Station Kiosks



Telecommunications

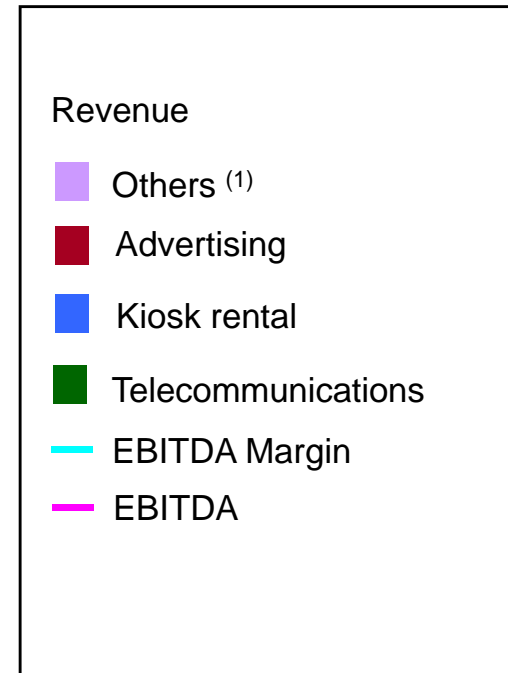
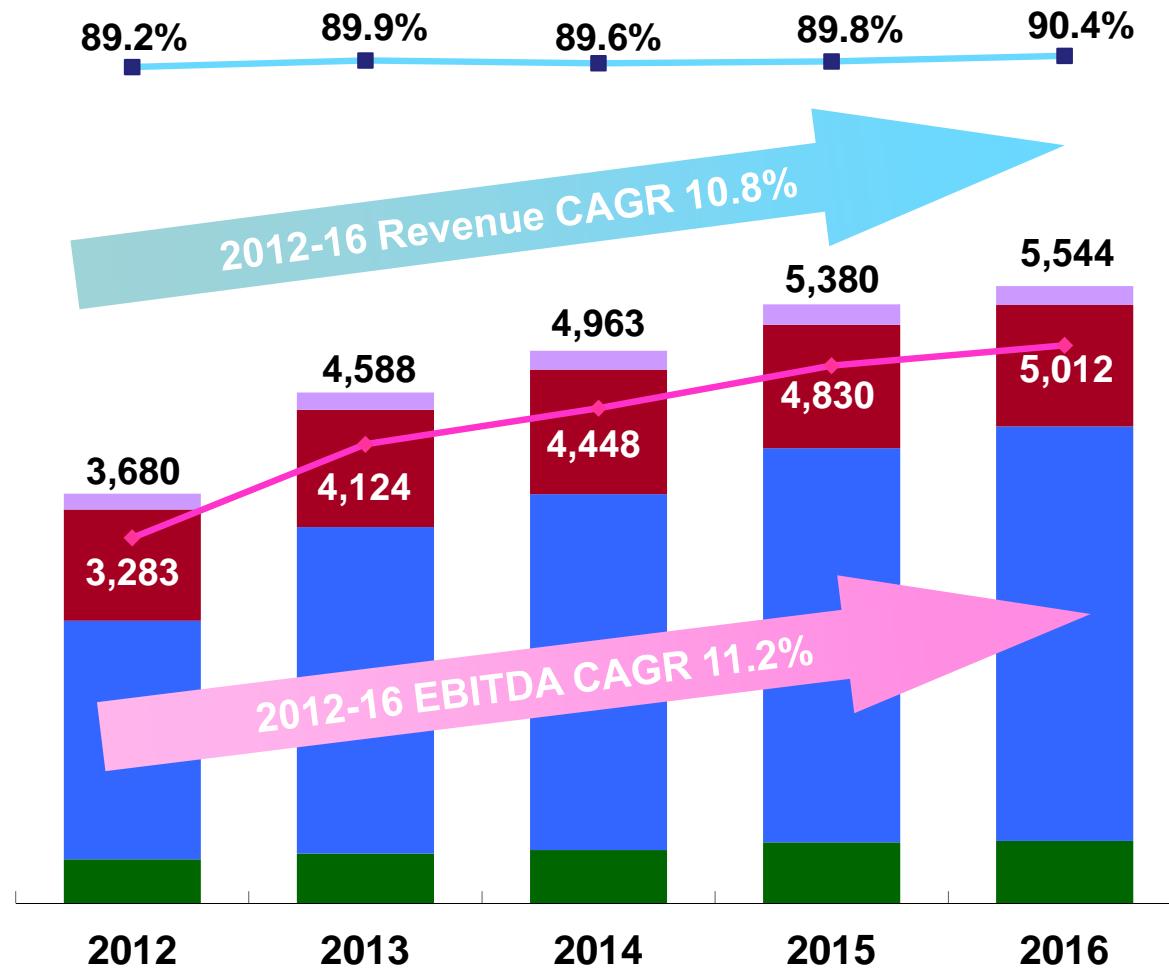


Advertising



# Hong Kong Station Commercial

(HK\$m)



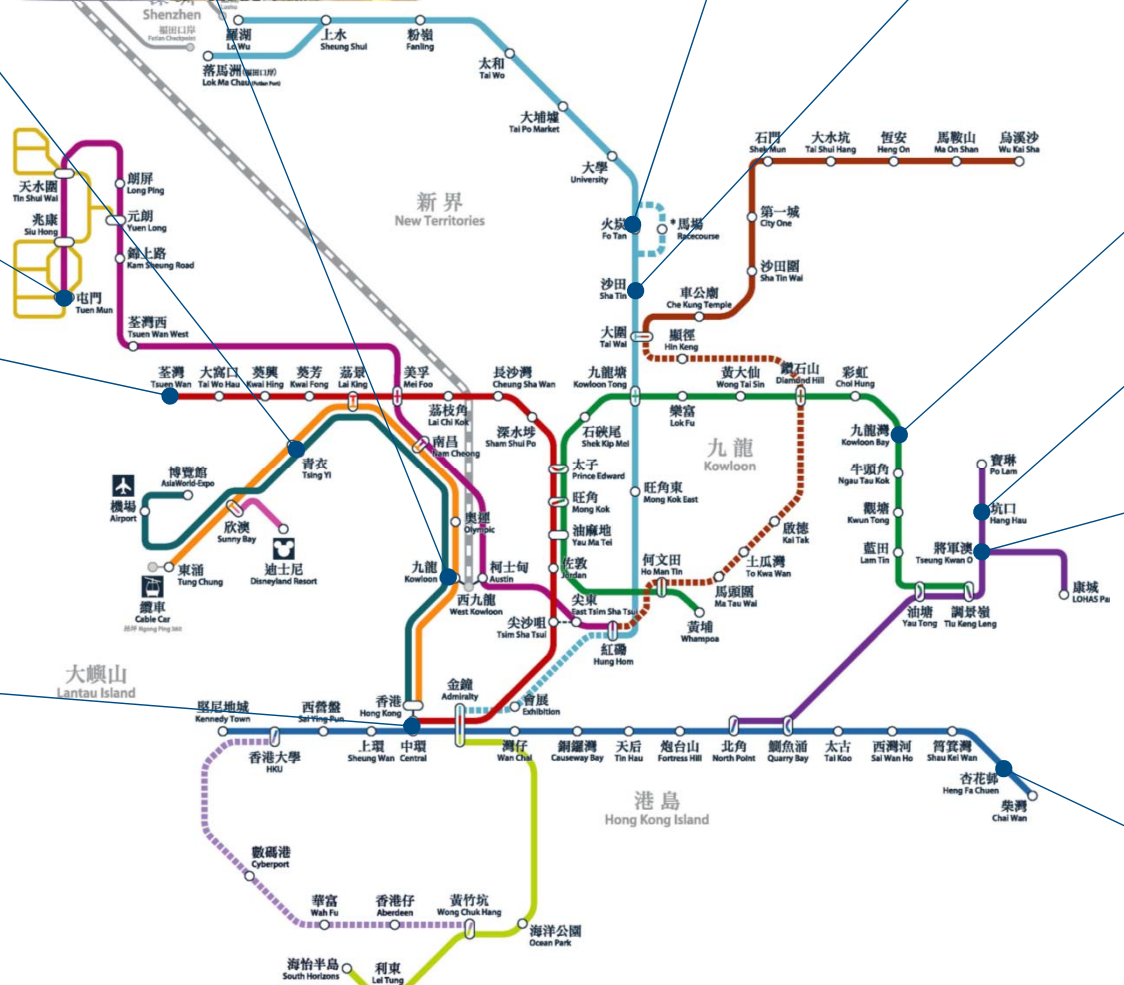
1. Include revenues from other station commercial business such as station car park and publications

# Hong Kong Property Rental & Management



# MTR Investment Property Portfolio

## Elements (Retail)



Maritime Square (Retail)



Ocean Walk  
Hanford Plaza  
Sun Tuen Mun Shopping Centre (Retail)

Luk Yeung Galleria (Retail)

Two IFC (Offices)



Telford Plaza (Retail)



Plaza Ascot (Retail)

Citylink Plaza (Retail)

The Lane (Retail)

PopCorn 1 & 2 (Retail)



Paradise Mall (Retail)

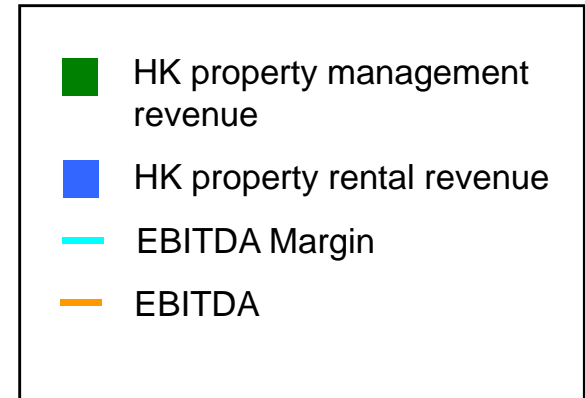
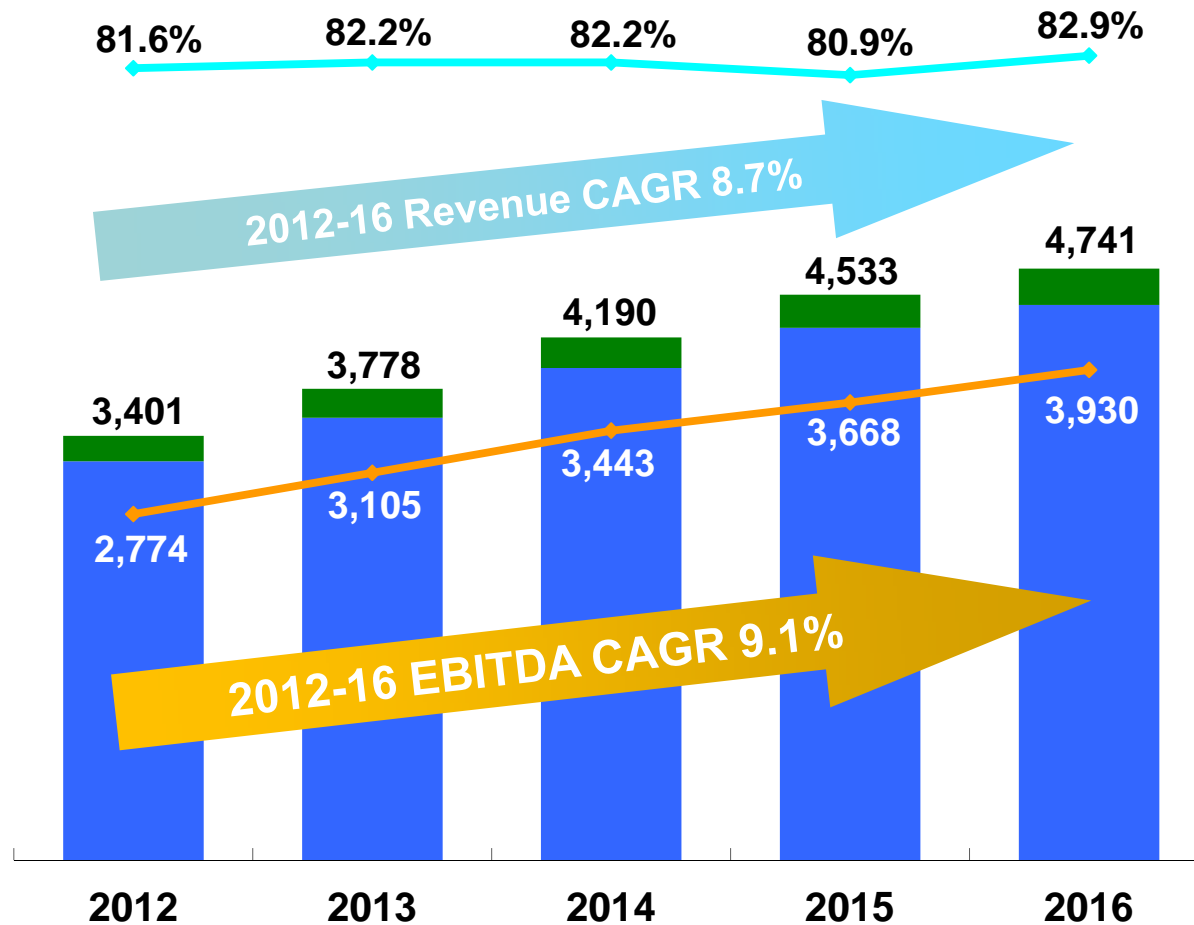
- 13 malls – 212,538 sqm, Office – 39,410 sqm
- Total Area: 251,948 sqm LFA

\* Lettable floor area attributable to MTR, as at 31 Dec 2016



# Hong Kong Property Rental and Management

(HK\$m)



# New Investment Property Initiatives

## Tai Wai Shopping Mall



- MTR contribution: HK\$7.5 billion
- Profit sharing in the residential development
- MTR will take ownership of and invest further in fitting out the shopping mall
- Shopping mall GFA: 60,620 sqm
- Target opening in 2022

## LOHAS Park Shopping Mall



- MTR contribution: HK\$4.98 billion
- Profit sharing in the residential development
- MTR will take ownership of and invest further in fitting out the shopping mall
- Shopping mall GFA: 44,500 sqm
- Target opening in 2H 2020

# New Investment Property Initiatives

## Maritime Square Extension

- Adding 12,100 sqm of gross floor area to Maritime Square Shopping Centre in Tsing Yi
- Main construction works commenced in Jun 2015
- Estimated cost at HK\$2.4 billion (excluding capitalised interest)
- Target opening in 2H2017



## Telford Plaza

- Conversion of office space into additional retail space
- Adding 3,400 sqm of gross floor area
- Estimated cost at HK\$550 million (excluding capitalised interest)
- Target opening in 2H2017



# Hong Kong Property Development



# MTR Land bank<sup>(1)</sup> – 1.95 Million sq m GFA

• Tin Shui Wai Light Rail Stop  
Awarded Land bank: 0.09m sq m GFA

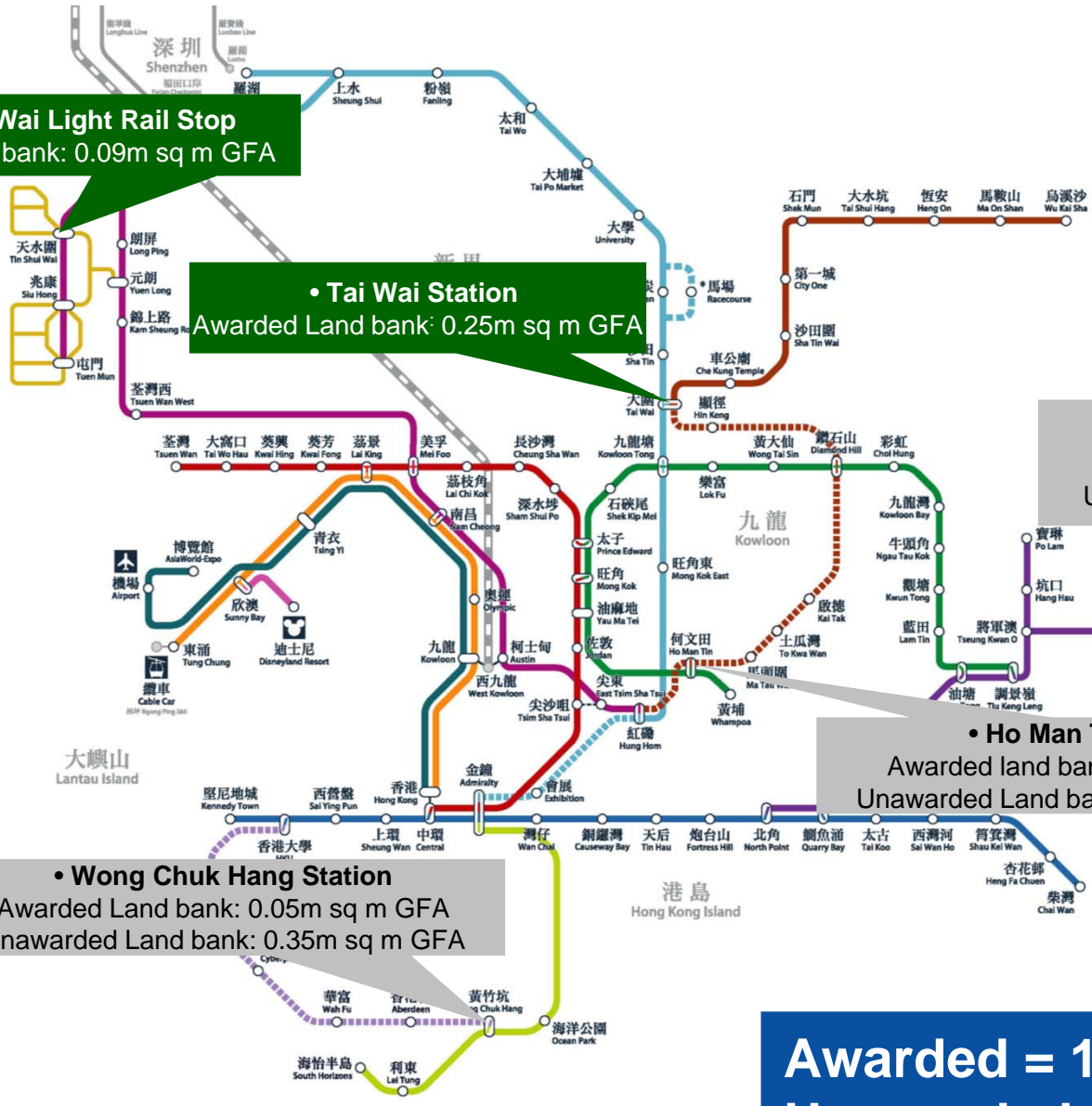
• Tai Wai Station  
Awarded Land bank: 0.25m sq m GFA

• LOHAS Park Station  
Awarded Land bank: 0.76m sq m GFA  
Unawarded Land bank: 0.32m sq m GFA

• Ho Man Tin Station  
Awarded land bank: 0.07 sq m GFA  
Unawarded Land bank: 0.06m sq m GFA

• Wong Chuk Hang Station  
Awarded Land bank: 0.05m sq m GFA  
Unawarded Land bank: 0.35m sq m GFA

**Awarded = 1.22m sq m GFA**  
**Unawarded = 0.73m sq m GFA**



■ MTR Land bank ■ Land bank acquired from KCRC

1. Definitions of landbank:  
 - Property development rights granted by the Government as part of the "Rail + Property" model or through acquisition from KCRC  
 - Where profit has not yet been recognised, status as at 7 March 2017

# Update on Hong Kong Property Development

## Land Tendering

### ■ Tendering activities

- Wong Chuk Hang Station Package 1 awarded to a consortium formed by Road King Infrastructure and Pingan Real Estate Capital (Feb 2017)

### ■ From March 2017 to March 2018, we target to tender out:

- LOHAS Park Packages 11 and 12
- Ho Man Tin Station Package 2
- Wong Chuk Hang Station Packages 2 and 3
- Yau Tong Ventilation Building Site (subject to re-zoning and other statutory approvals)

## Property Sales

- Sales of inventory units or car parks, subject to market conditions
- Pre-sales of West Rail residential projects where we act as agent for KCRC

# Mainland of China & International Businesses



# Mainland China and Overseas Strategies



## ◎ Asset Light

- Focus on “asset light” operating rail concessions
- Franchise operations in UK, Stockholm and Melbourne

## ◎ Asset Heavy

- Invest in urban rail networks in the Mainland of China
- Focus on development of rail networks within cities
- Operating rail businesses in Mainland China (Beijing, Shenzhen and Hangzhou). Sweden (MTR Express) and Australia (North West Rail Link)



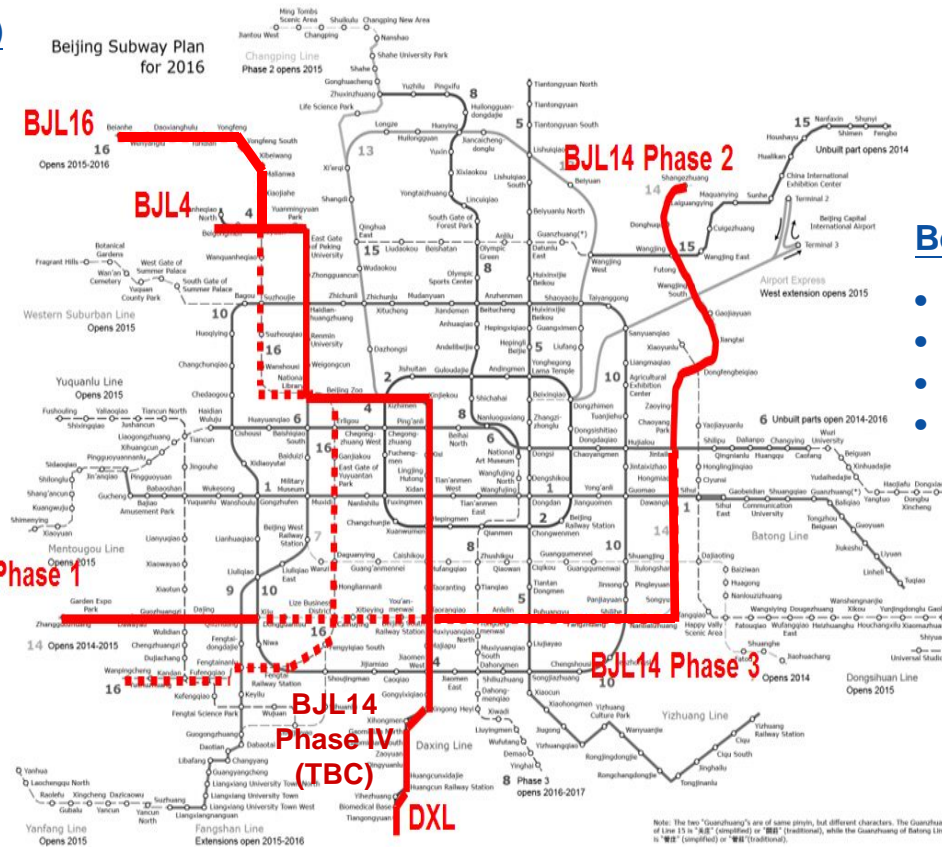
# Existing Businesses on Mainland of China – Beijing

## Beijing Metro Line 16 (BJL16)

- 49%/ RMB 2.45billion
- 50km/ 29 stations
- 30 years
- Phase 1: Dec 2016; full line: after 2017

## Beijing Metro Line 4 (BJL4)

- 49%/ RMB 700 million
- 28km/ 24 stations
- 30 years
- Sep 2009



## Beijing Metro Line 14 (BJL14)

- 49% ownership/ RMB 2.45billion
- 47.3km/ 37 stations
- 30 years
- Phase 1: May 2013; Phase 2: Dec 2014; Phase 3: Dec 2015; Full line: after 2017

## Daxing Line

- O&M contract
- 22km/ 11 stations (Southward extension of BJJ4)
- 10 years
- Dec 2010

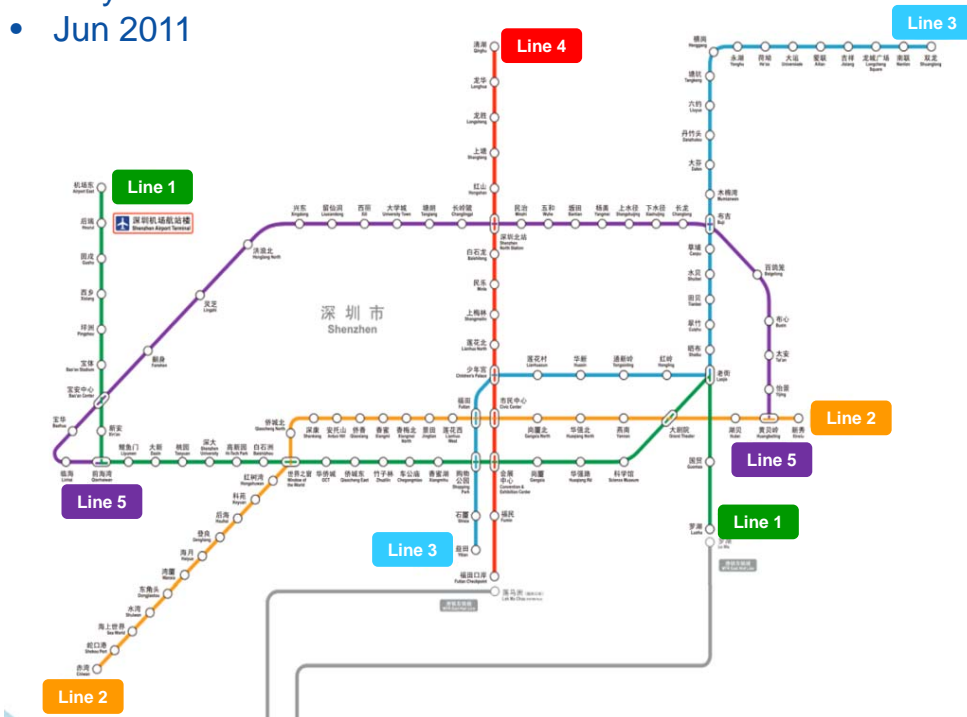
### Metro Line

- % Ownership/ equity investment
- Route length/ no. of stations
- Concession period
- Year of service commencement

# Existing Businesses on Mainland of China – Shenzhen and Hangzhou

## Shenzhen Metro Line 4 (Longhua Line)

- 100%/ RMB 2.4 billion
- 20.5 km/ 15 stations
- 30 years
- Jun 2011



### Metro Line

- % Ownership/ equity investment
- Route length/ no. of stations
- Concession period
- Year of service commencement

## Hangzhou Metro Line 1

- 49%/ RMB 2.2 billion
- 54km/ 34 stations (including a 5.7km 3-station extension under O&M)
- 25 years
- Nov 2012



# Existing Overseas Operations - Sweden

## Stockholm Metro

### MTR Tech

- Total investment: HK\$180 million (for 50% interest in TBT)
- 100% ownership
- Rolling stock maintenance for the metro network in Stockholm fully under our management
- Feb 2016

### MTR Stockholm

- O&M concession for 8 years to 2017
- 6-year extension from 2017 to 2023
- 100% ownership
- Contract amount: HK\$20 billion
- 110km/ 100 stations
- Since Nov 2009



## Intercity Service

### MTR Express

- Total investment: HK\$830 million
- 100% ownership
- 455km intercity service between Stockholm & Gothenburg
- Since 21 March 2015



## Commuter Service

### Stockholm Pendeltåg

- O&M concession for 10 years (with option to extend a further 4 years)
- 100% ownership
- Contract amount: SEK30 billion (14 years)
- 241km/ 53 stations
- Since Dec 2016



# Existing Overseas Operations

## Australia

### Melbourne Metro System

- O&M concession for 8 years
- 60% ownership
- Contract amount: AUD3.8 billion
- 390km and 217 stations
- Since Nov 2009

### Sydney Metro Northwest (PPP)

- Equity investment: AUD63 million
- 36km high capacity rapid transit between Chatswood and Rouse Hill
- Design and delivery of railway system and O&M for 15 years
- To commence in 2019

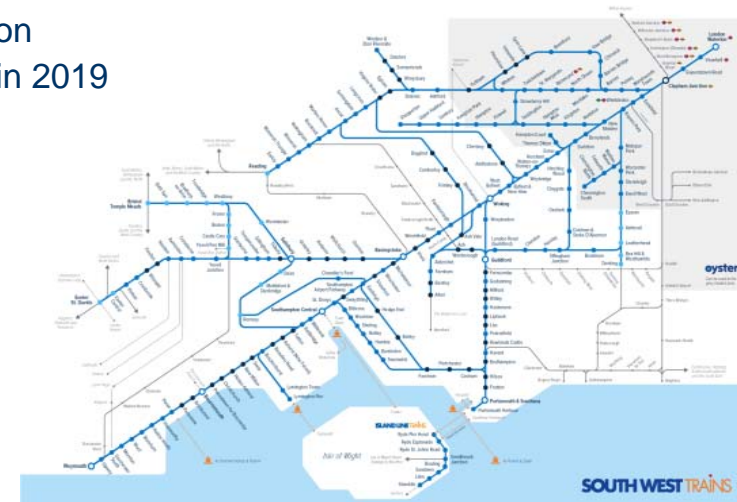


### MTR Crossrail

- O&M concession for 8 years (with an option to extend 2 more years to 10 years)
- 100% ownership
- Contract amount: GBP1.4 billion
- 118km and 40 stations, including 42km of new tunnels across London
- Commenced first section of service in May 2015; full line operation in 2019

### South Western Franchise

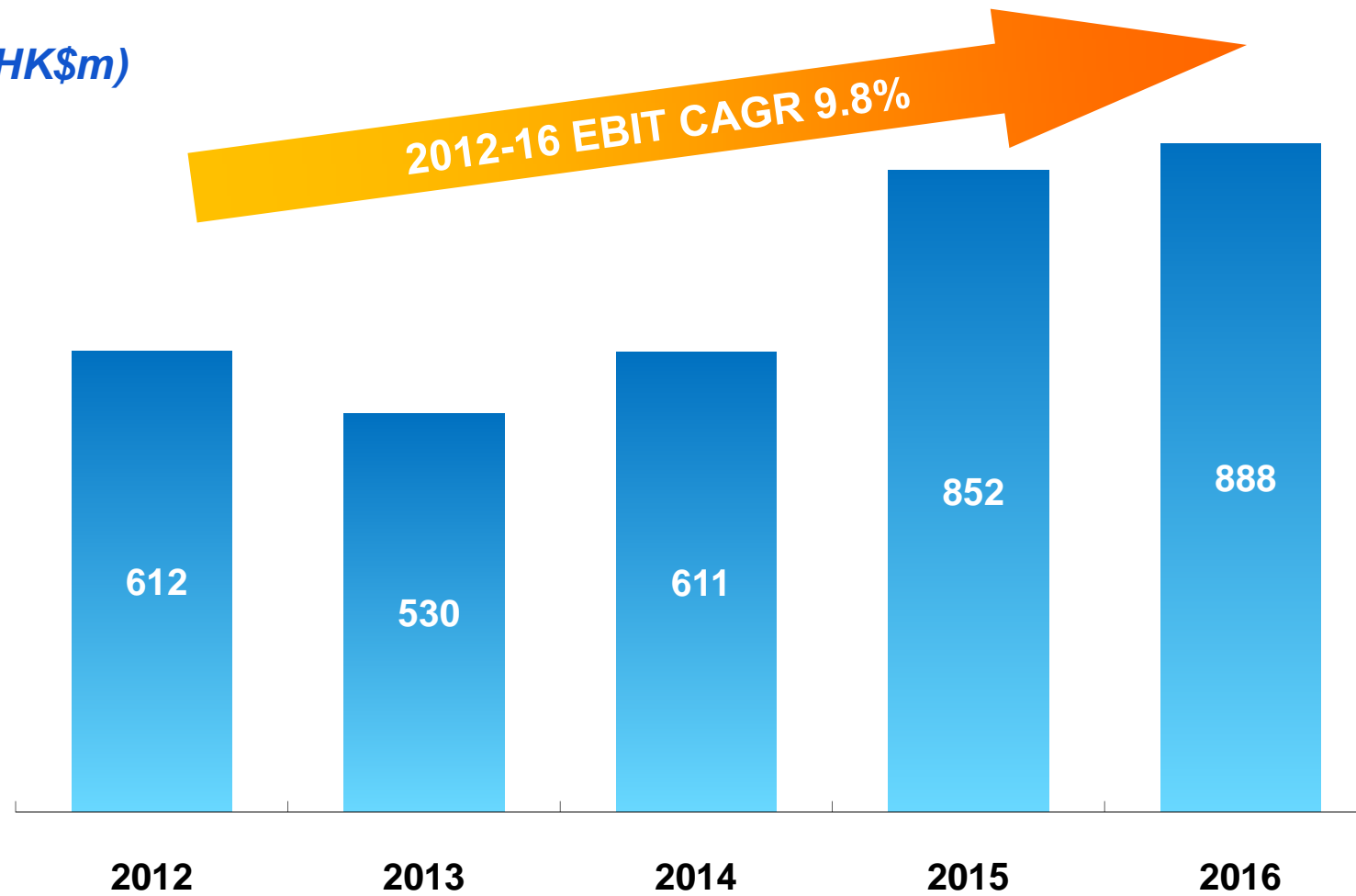
- The new franchise from Aug 2017 for 7 years (with the option for an 11-month extension)
- 70:30 joint venture between FirstGroup and MTR
- 976-km network serving 186 operator managed stations
- Covers routes between London Waterloo and south western England, including Bristol, Exeter and Portsmouth



## United Kingdom

# Mainland of China and International Businesses – EBIT

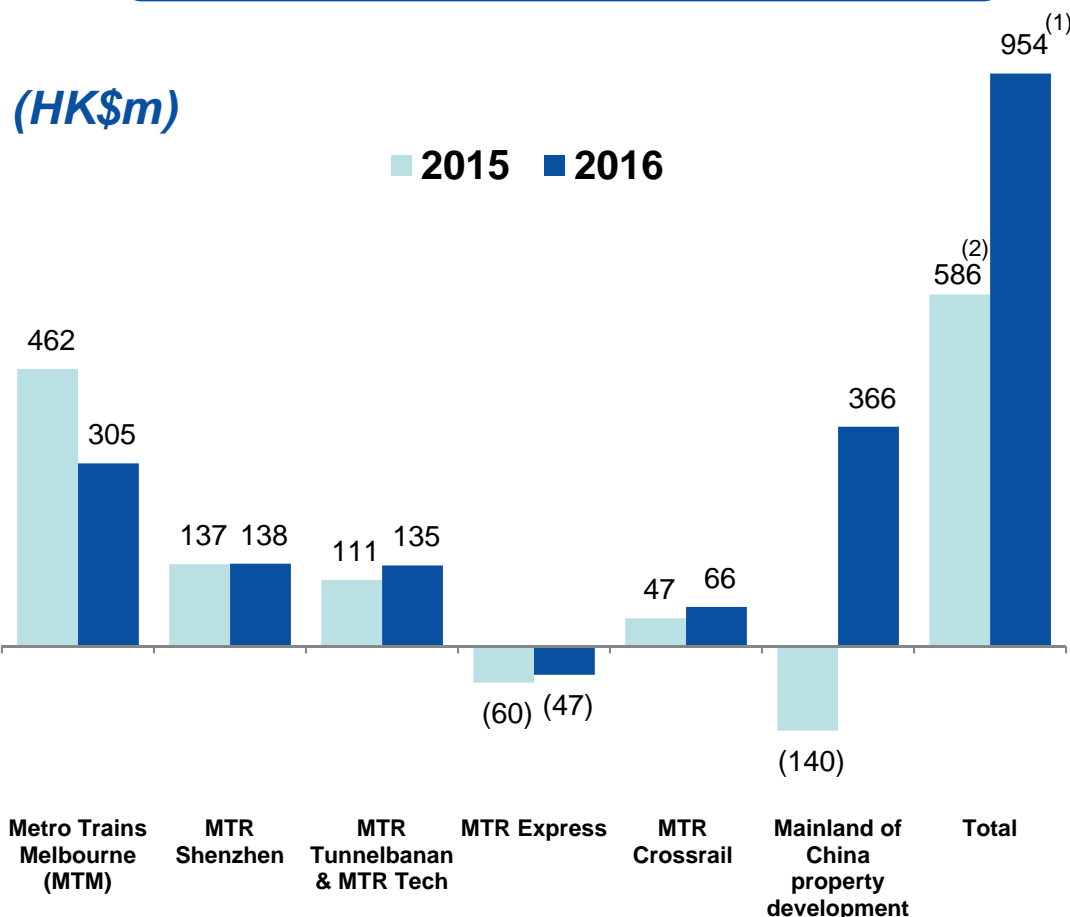
(HK\$m)



*Note: Included subsidiaries and associates*

# Mainland China and International Businesses - Subsidiaries

EBITDA contribution: HK\$954m **62.8%**



- **Metro Trains Melbourne (MTM)**
  - Decrease in EBITDA due to additional expenditure on refranchising and lower contribution from maintenance and overhaul activities
  - Existing concession ends in Nov 2017 – submitted a proposal in Dec 2016 to extend the franchise
- **MTR Shenzhen**
  - EBITDA was largely stable
  - 5.1% increase in patronage to 199 million (average weekday patronage of 550,000)
- **MTR Tunnelbanan & MTR Tech<sup>(3)</sup>**
  - Acquisition of remaining 50% shareholding of TBT, now renamed MTR Tech
  - Record high customer satisfaction
- **MTR Express**
  - Patronage still below original forecast
  - High levels of operational performance and customer satisfaction
- **MTR Crossrail**
  - First full year of operations
  - Improved operational performance
- **Mainland of China property development**
  - Profit recognised from the low-rise units in Tiara

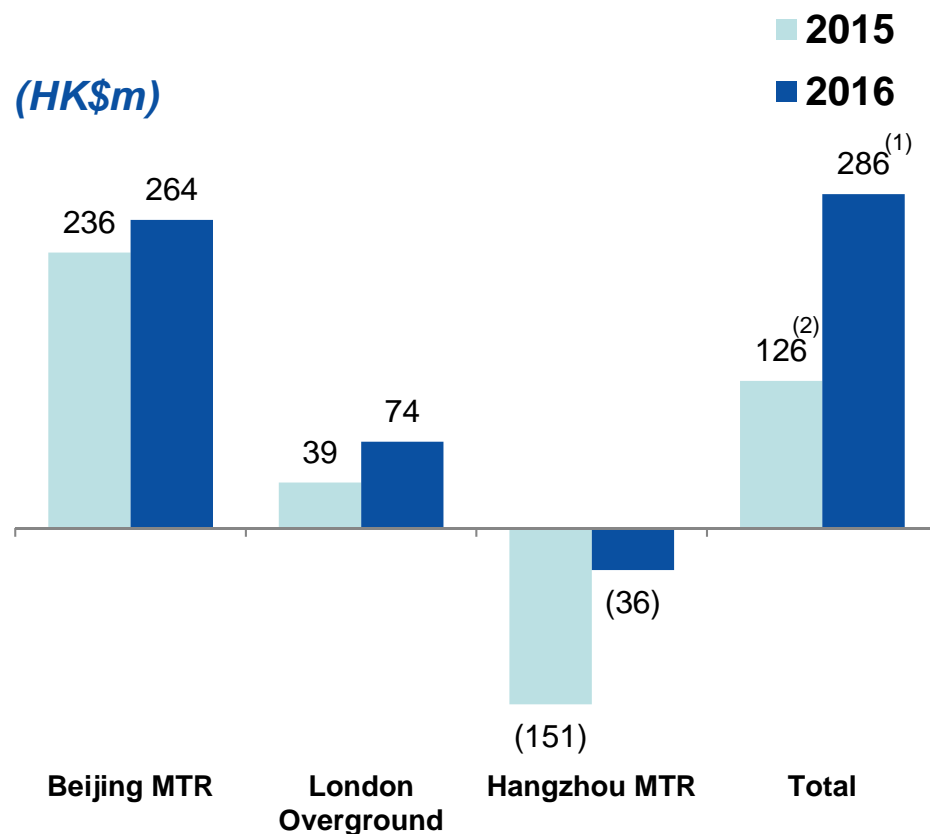
1. Included net operating loss of HK\$9m from the combined results of Mainland of China property rental & management, pre-operating expenses of MTR Pendeltågen and Sydney Metro Northwest  
 2. Included operating profit of HK\$29m from Mainland of China property rental & management and Sydney Metro Northwest  
 3. MTR acquired the remaining 50% interest in Tunnelbanan Teknik Stockholm (“TBT”) on 15 Feb 2016. TBT was renamed “MTR Tech” thereafter

# Mainland China and International Businesses - Associates

Post-tax profit contribution

: HK\$286m

127%



## ■ Beijing MTR

- Profit increased by HK\$28 million mainly due to the commencement of PPP franchise for Beijing Metro Line 14
- Patronage: Beijing Metro Line 4 (BJL4) and Daxing Line
  - 442 million up 3% (1.29 million/ weekday)
  - Beijing Metro Line 14
    - 191 million (591,000/ weekday)

## ■ Hangzhou MTR

- Net loss reduced by 76% mainly due to optimisation of operation costs and higher revenue from patronage increase
- Patronage 199 million up 12% (537,000/ weekday)

## ■ London Overground

- Concession ended in Nov 2016

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

- Framework agreement with Beijing Capital Land in Mar 2017
- Disposal of all 49% interest in Tianjin MTR
- Conditional future acquisition of a shopping centre of approximately 91,000 sqm to be developed on Beiyunhe Station site

1. Included net loss of HK\$16m from combined results of TBT up to 15 Feb 2016, Tianjin TJ Metro MTR, and associates related to Sydney Metro Northwest and MTR Pendeltågen

2. Included net profit of HK\$2m from TBT and the associate related to Sydney Metro Northwest

# Mainland of China & International Businesses – Property Development Projects

## Shenzhen Property Development - Tiara

- About 98% of 1,698 units sold by the end-Dec 2016
- Profit recognised from the low-rise units
- High-rise units to be handed over in mid-2017
- Total GFA: 206,167 sqm, including a 10,000 sqm retail centre
- Total Investment RMB¥4.1b (estimated) including RMB¥2b land premium
- Part of net profits shared with Shenzhen Municipality to support metro development in Shenzhen



## Tianjin Property Development

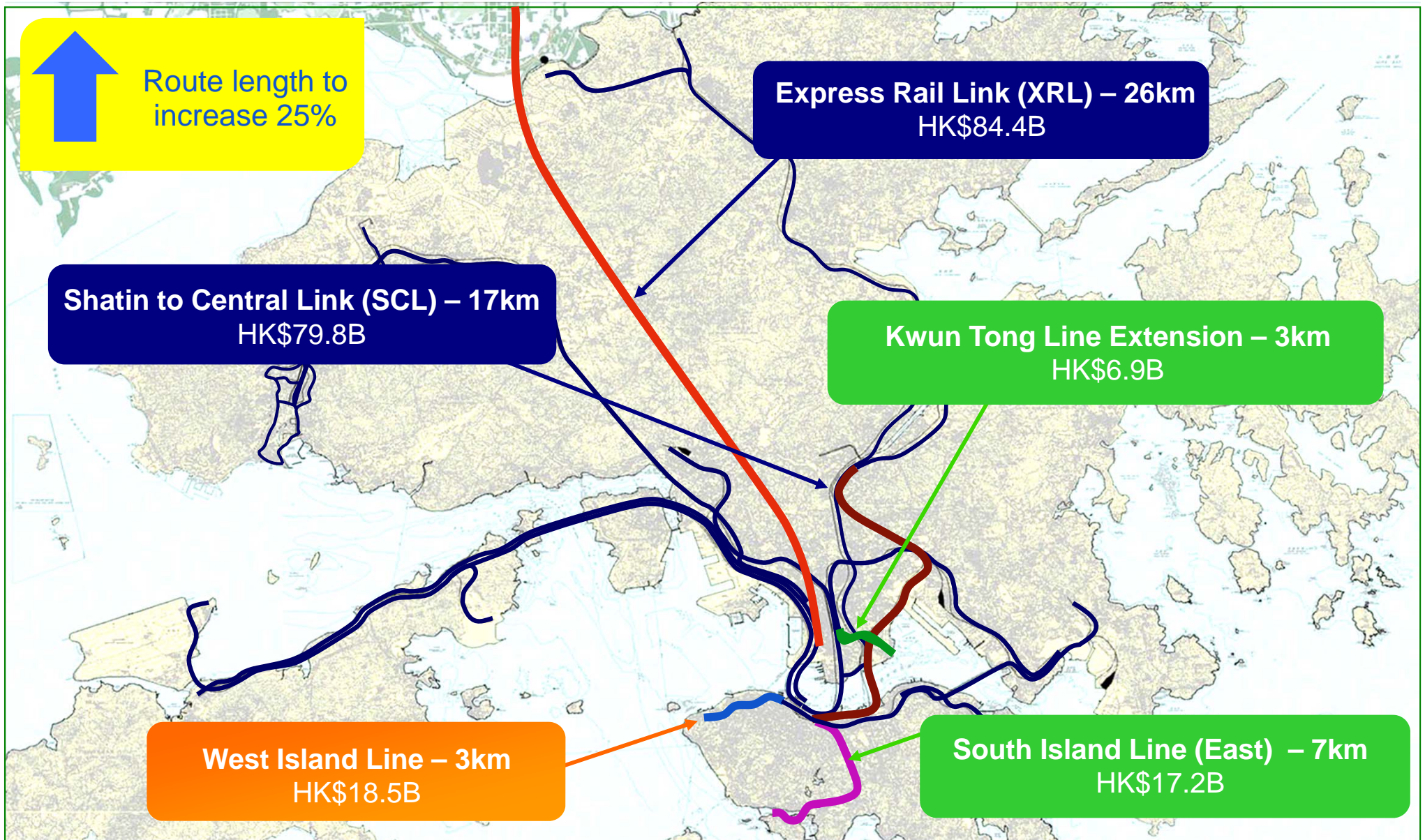
- Framework agreement with Beijing Capital Land in Mar 2017
- Disposal of all 49% interest in Tianjin TJ Metro MTR Construction (Tianjin MTR)
- Conditional future acquisition of a shopping centre of approximately 91,000 sqm to be developed on Beiyunhe Station site



# Growth Initiatives in Hong Kong



# Unprecedented HK Railway Growth



■ SCL is service concession while XRL is subject to negotiation

■ Cash grant

■ "Rail + Property"

\* Project cost estimates (before capitalised interest) subject to regular review

# MTR Ownership Projects

## West Island Line

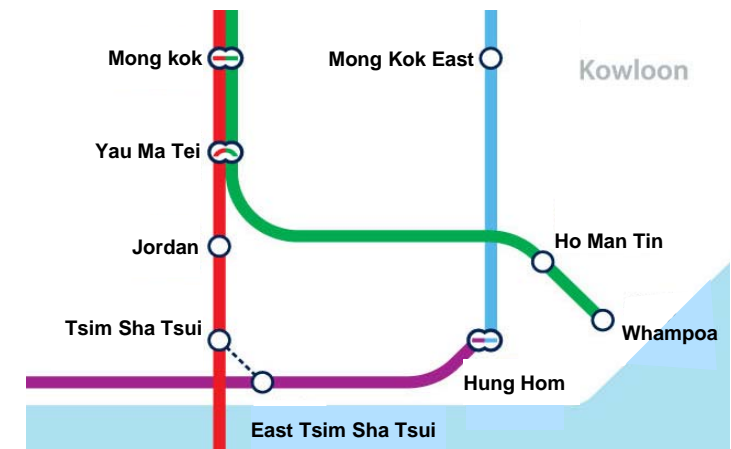
- Commenced passenger service on 28 Dec 2014
- Sai Ying Pun Station (except Ki Ling Lane) opened on 29 March 2015
- Ki Ling Lane opened on 27 March 2016

## South Island Line (East)

- Project Agreement signed in May 2011
- Development right for a site at Wong Chuk Hang was granted
- Commenced passenger service on 28 December 2016

## Kwun Tong Line Extension

- Project Agreement signed in May 2011
- Development right for a site at Ho Man Tin was granted
- Commenced passenger service on 23 October 2016



# Rail Projects under Project Management

## Express Rail Link (XRL)

### Project Background

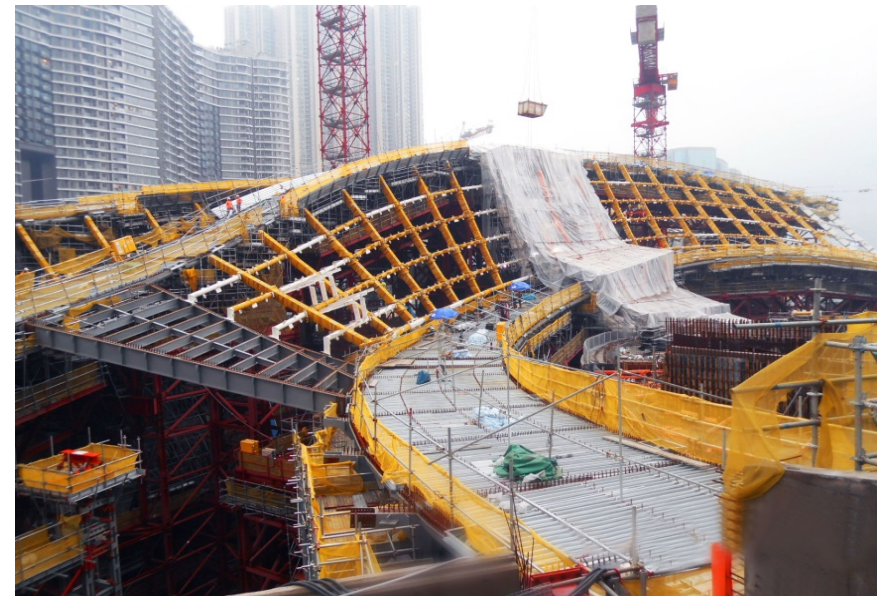
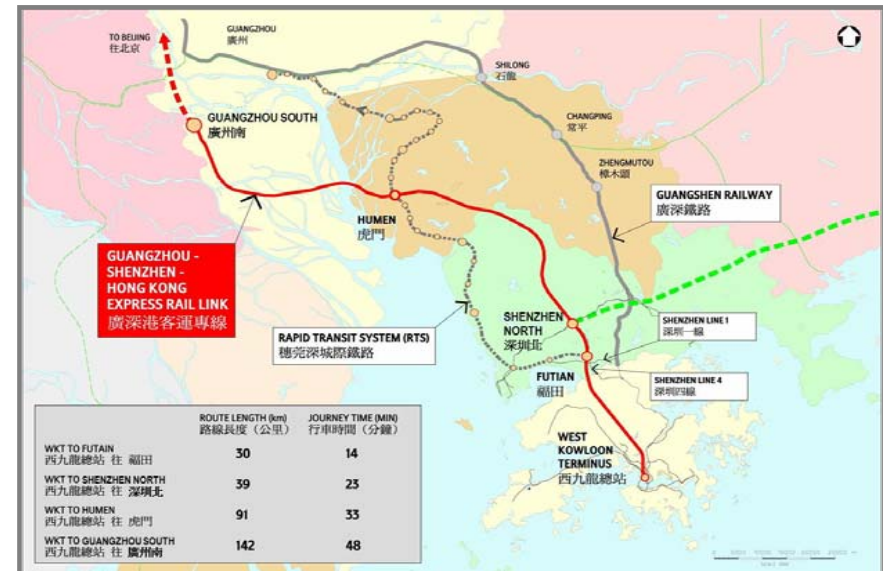
- The 26-km XRL to provide high speed cross-boundary rail services connecting Hong Kong to Shenzhen, Guangzhou and the high speed rail network in Mainland of China

### Project Progress

- Over 90% complete as at 31 Mar 2017
- Tunnel and track laying works substantially complete
- Concrete structural works of various floor levels of West Kowloon Terminus (WKT) 96% complete

### Target Completion and Project Cost Estimate

- Completion timetable remains in 3Q 2018
- Project cost estimate remains at HK\$84.42 billion



# Rail Projects under Project Management

## Shatin to Central Link

### Project Background

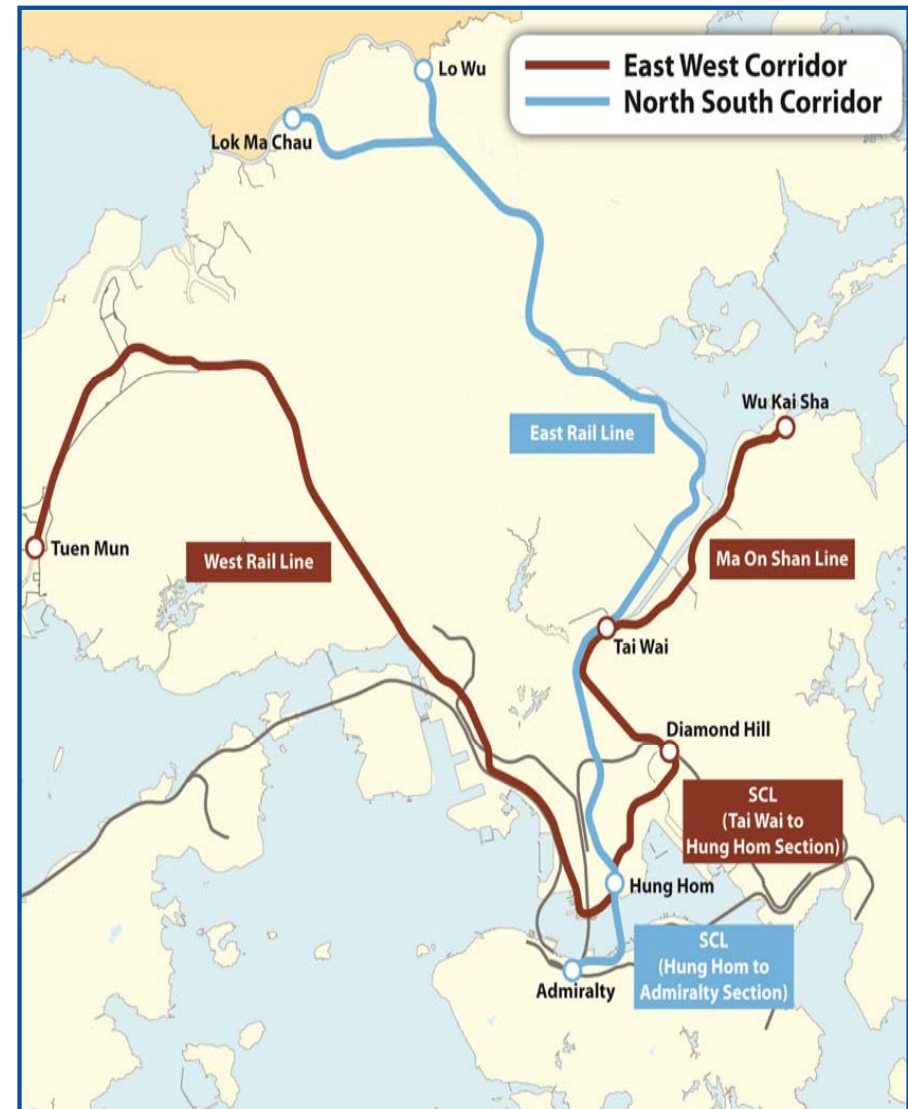
- SCL comprises two sections, the East West Corridor and North South Corridor
- New link across the New Territories, serving residential and working population of 640,000
- Entrustment Agreement signed with Government in May 2012
- Construction commenced in June 2012

### Project Progress

- Overall completion at 72% as at 31 Mar 2017
  - East-West Corridor at 87%
  - North-South Corridor at 50%

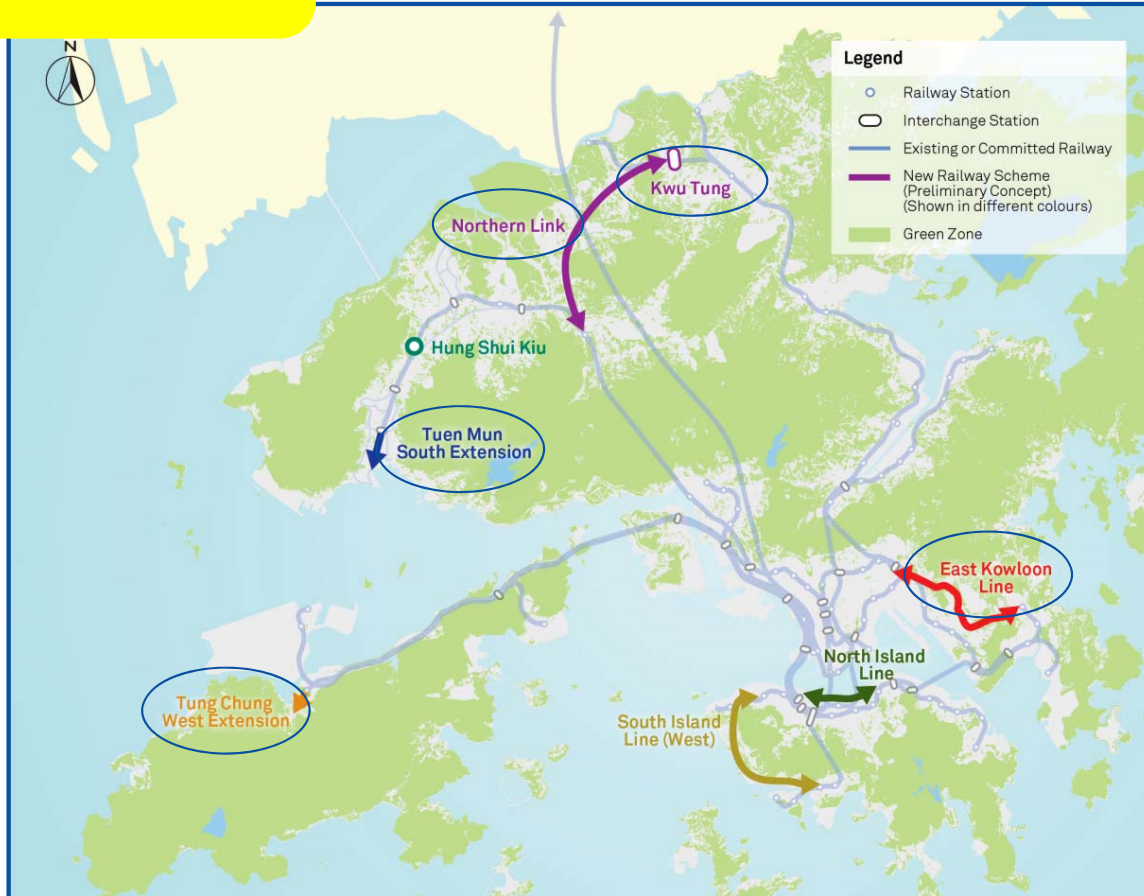
### Target Completion and Project Cost Estimate

- East-West Corridor target completion in mid-2019
- North-South Corridor target completion in 2021
- Complete a detailed review of the project cost estimate in 2H 2017



# Railway Development Strategy 2014

↑ Total route length of about 34.8km



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

# Financial Results



# Financial Highlights

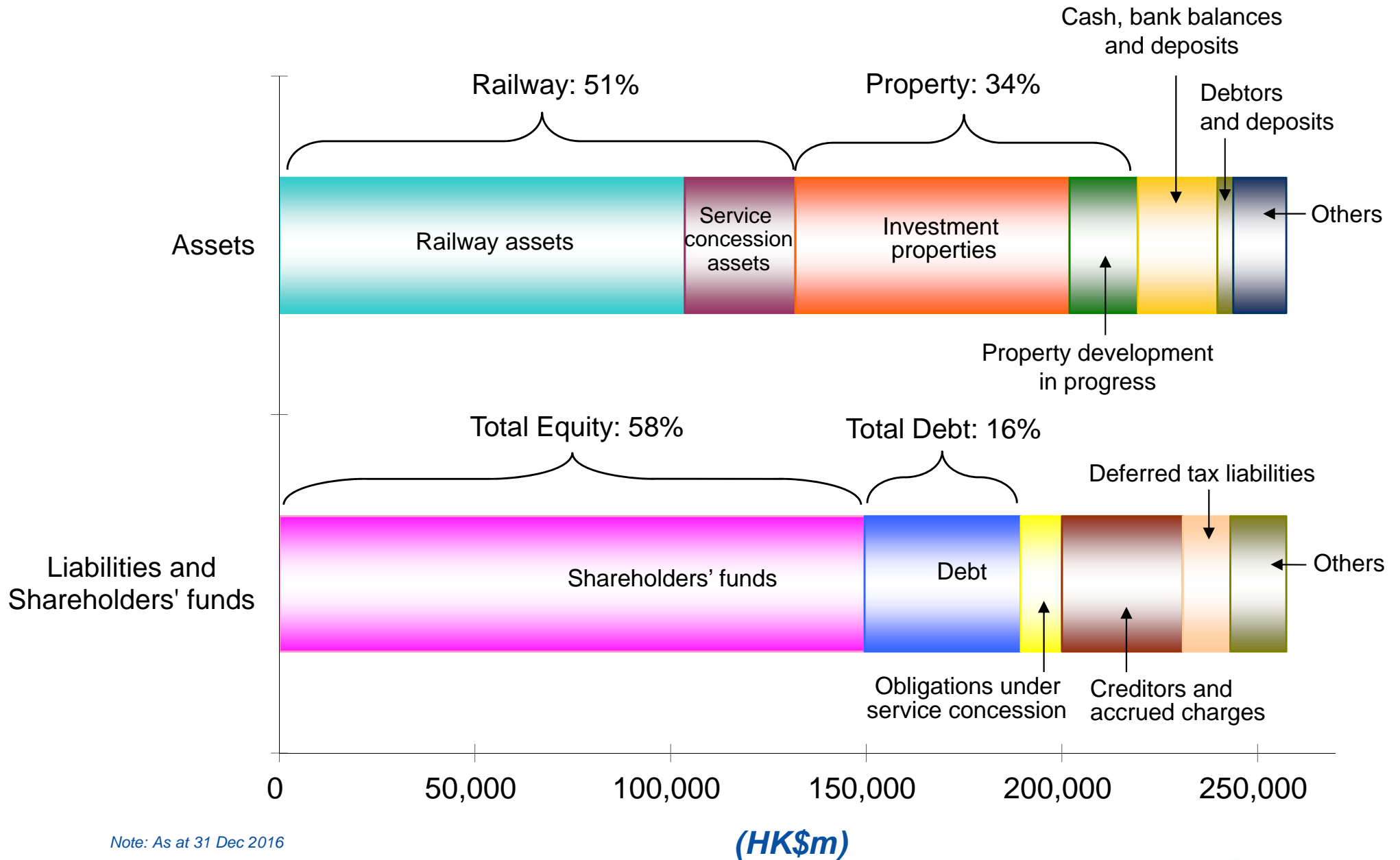
(HK\$m)	2016	2015	Change
Total revenue	45,189	41,701	↑ 8.4%
Total EBITDA	17,313	16,120	↑ 7.4%
EBITDA margin	38.3%	38.7%	↓ 0.4%pt
<b>EBITDA margin (excluding Mainland of China &amp; int'l subsidiaries)</b>	<b>53.9%</b>	<b>53.3%</b>	<b>↑ 0.6%pt</b>
Total EBIT <sup>(1)</sup>	11,399	10,622	↑ 7.3%
EBIT margin <sup>(1)</sup>	25.2%	25.5%	↓ 0.3%pt
<b>EBIT margin (excluding Mainland of China &amp; int'l subsidiaries)<sup>(1)</sup></b>	<b>34.8%</b>	<b>34.8%</b>	—
<b>Profit from recurrent businesses<sup>(2)</sup></b>	<b>8,916</b>	<b>8,565</b>	<b>↑ 4.1%</b>
Post-tax profit from property development in Hong Kong and Mainland of China	530	2,329	↓ 77.2%
<b>Profit from underlying businesses<sup>(2)</sup></b>	<b>9,446</b>	<b>10,894</b>	<b>↓ 13.3%</b>
Investment property revaluation	808	2,100	↓ 61.5%
Reported net profit attributable to shareholders of the Company <sup>(2)</sup>	10,254	12,994	↓ 21.1%
Reported EPS (HK\$) <sup>(2)</sup>	1.74	2.22	↓ 21.6%
<b>Underlying businesses EPS (HK\$)<sup>(2)</sup></b>	<b>1.61</b>	<b>1.87</b>	<b>↓ 13.9%</b>
Ordinary dividend per share (HK\$)	1.07	1.06	↑ 1.0%

1. Excluding HK property development

2. Net of non-controlling interests

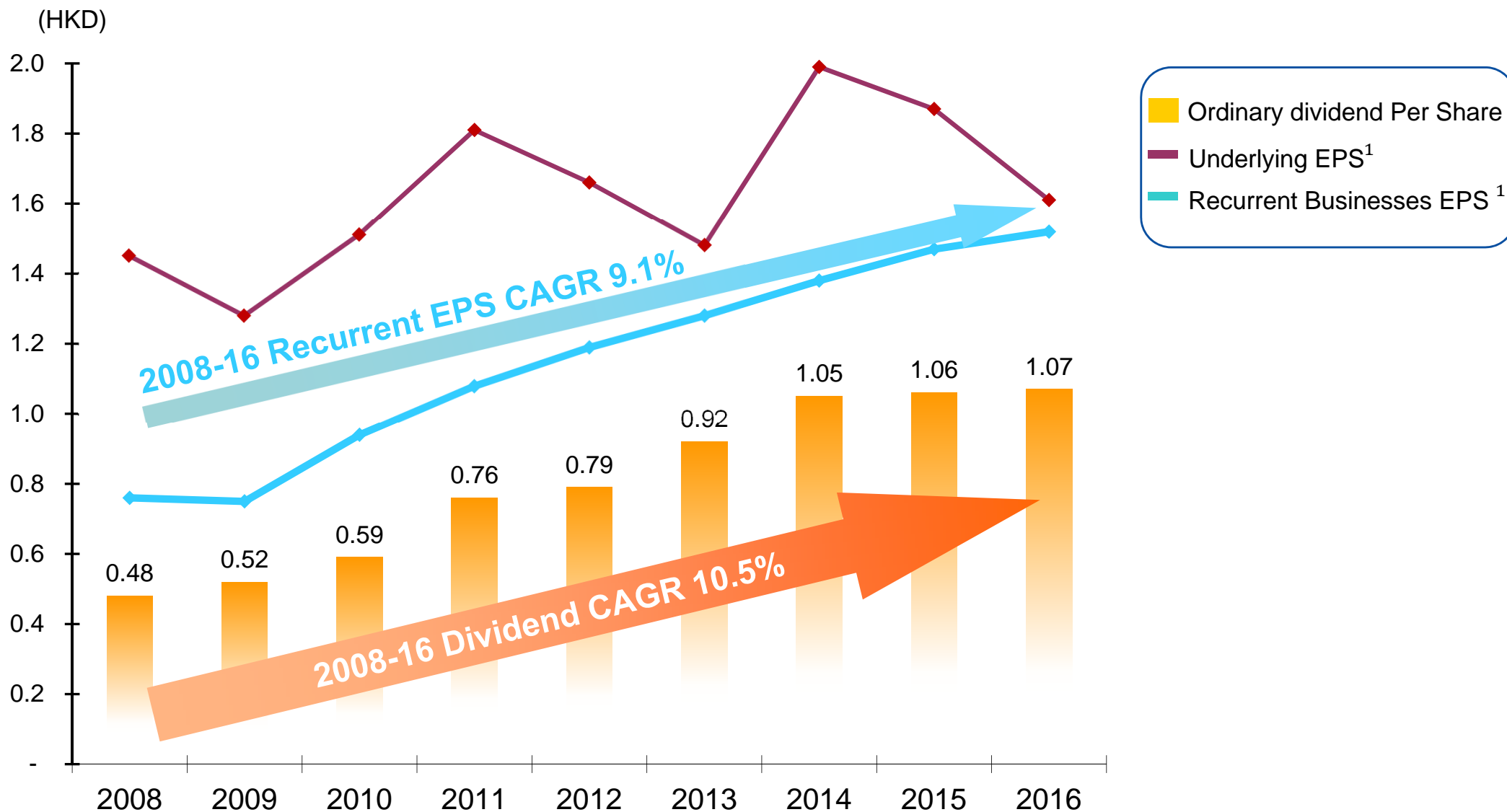


# Consolidated Balance Sheet



Note: As at 31 Dec 2016

# Progressive Dividend Policy



1. 2012 figures restated due to retrospective adoption of Revised HKAS19, Employee Benefits

# Investment Highlights



- One of the world's most efficient and highly utilised urban railway operator generating strong and stable cash flow



- Successful property developments with limited downside risks



- Clear growth strategy
  - Growth within Hong Kong
  - Strategic expansion in China and other countries



- Progressive dividend policy



- Professional management team



- Good corporate governance with high level of transparency



- Government remains a major shareholder until 2020



- Superior credit ratings on par with Hong Kong Sovereign



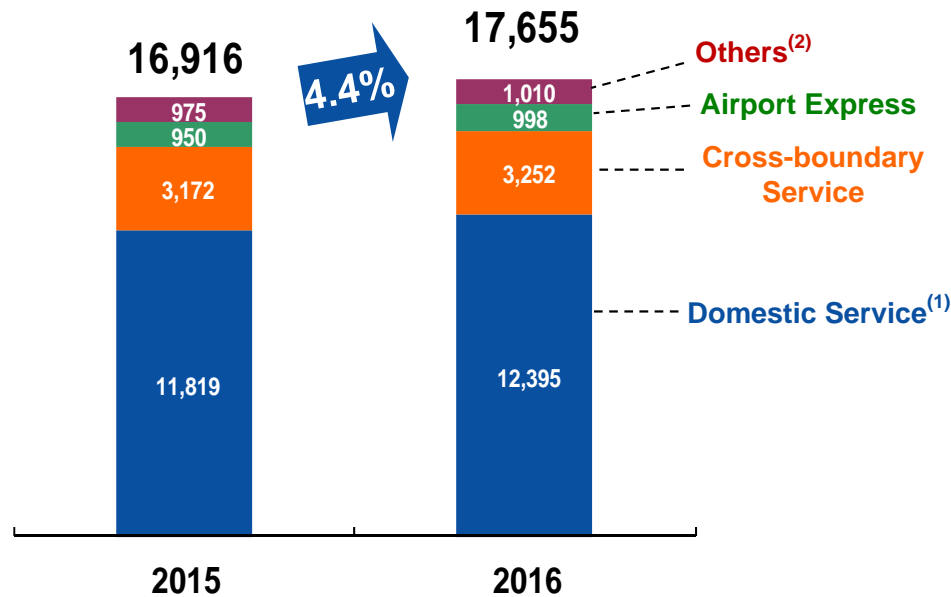
# Appendix

# Hong Kong Transport Operations

Total Patronage: 1,948.8 million **0.5%**

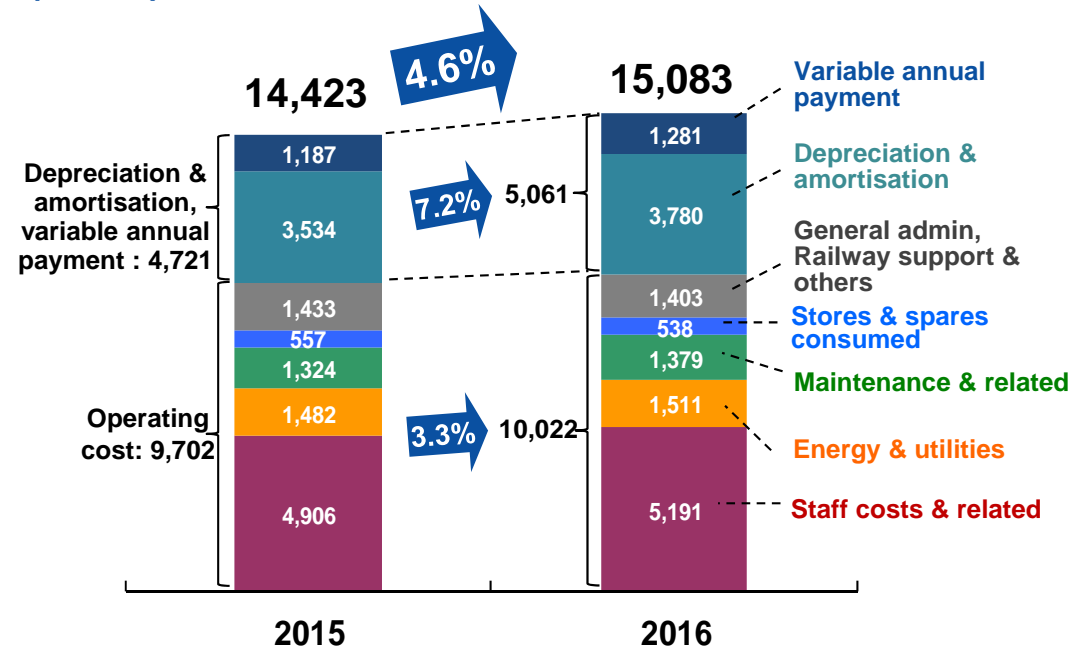
## Revenue

(HK\$m)



## Cost

(HK\$m)



EBITDA:  
HK\$7,633m **5.8%**

Margin:  
43.2% **0.6 %pt**

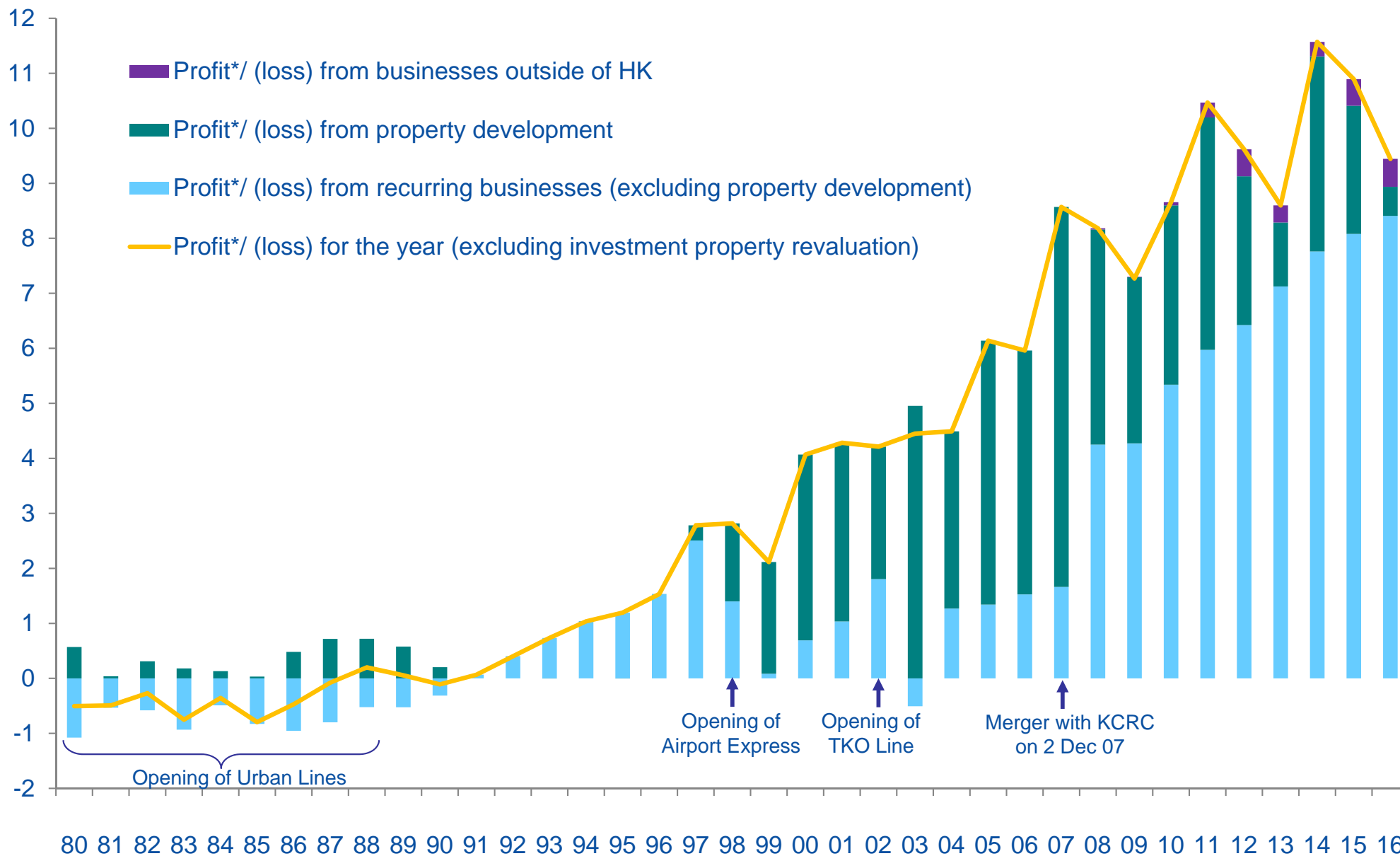
EBIT<sup>(3)</sup>:  
HK\$2,572m **3.2%**

Margin:  
14.6% **0.1 %pt**

- 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

# Contributions to Underlying Profits

(HK\$b)



\* Profits were on pre-tax basis prior 2002, and on post-tax basis from 2002 onwards

# Consolidated Profit and Loss Account

	2016	2015	Favourable (adverse) change	
			HK\$m	%
<b>(HK\$m)</b>				
HK transport operations	17,655	16,916	739	4.4
HK station commercial and HK property rental & management businesses	10,285	9,913	372	3.8
Mainland of China & international railway, property rental and management subsidiaries	13,478	12,572	906	7.2
Mainland of China property development subsidiary	1,348	-	1,348	n/a
Other businesses	2,423	2,300	123	5.3
<b>Total revenue</b>	<b>45,189</b>	<b>41,701</b>	<b>3,488</b>	<b>8.4</b>
Operating expenses excluding Mainland of China & international subsidiaries	(14,004)	(13,595)	(409)	(3.0)
Expenses relating to Mainland of China & international railway, property rental and management subsidiaries	(12,890)	(11,846)	(1,044)	(8.8)
Expenses relating to Mainland of China property development subsidiary	(982)	(140)	(842)	(601.4)
<b>Total operating expenses</b>	<b>(27,876)</b>	<b>(25,581)</b>	<b>(2,295)</b>	<b>(9.0)</b>
EBITDA excluding Mainland of China & international subsidiaries	16,359	15,534	825	5.3
EBITDA relating to Mainland of China & international railway, property rental and management subsidiaries	588	726	(138)	(19.0)
EBITDA relating to Mainland of China property development subsidiary	366	(140)	506	n/a
<b>Total EBITDA</b>	<b>17,313</b>	<b>16,120</b>	<b>1,193</b>	<b>7.4</b>
HK property development profit	311	2,891	(2,580)	(89.2)
<b>Total operating profit</b>	<b>17,624</b>	<b>19,011</b>	<b>(1,387)</b>	<b>(7.3)</b>
Depreciation & amortisation	(4,127)	(3,849)	(278)	(7.2)
Variable annual payment	(1,787)	(1,649)	(138)	(8.4)
Interest and finance charges	(612)	(599)	(13)	(2.2)
Investment property revaluation	808	2,100	(1,292)	(61.5)
Share of profit of associates	535	361	174	48.2
<b>Profit before taxation</b>	<b>12,441</b>	<b>15,375</b>	<b>(2,934)</b>	<b>(19.1)</b>
Income tax	(2,093)	(2,237)	144	6.4
<b>Reported net profit attributable to shareholders of the Company<sup>(1)</sup></b>	<b>10,254</b>	<b>12,994</b>	<b>(2,740)</b>	<b>(21.1)</b>
Reported earnings per share (HK\$)	1.74	2.22	(0.48)	(21.6)
<b>Profit from underlying businesses<sup>(1)</sup></b>	<b>9,446</b>	<b>10,894</b>	<b>(1,448)</b>	<b>(13.3)</b>
<b>Underlying businesses EPS (HK\$)</b>	<b>1.61</b>	<b>1.87</b>	<b>(0.26)</b>	<b>(13.9)</b>
<b>Final ordinary dividend per share (HK\$)</b>	<b>0.82</b>	<b>0.81</b>	<b>0.01</b>	<b>1.2</b>
<b>Total ordinary dividend per share (HK\$)</b>	<b>1.07</b>	<b>1.06</b>	<b>0.01</b>	<b>0.9</b>

1. Net of non-controlling interests of HK\$94 million and HK\$144 million in 2016 and 2015 respectively

# Consolidated Statement of Financial Position

(HK\$m)	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>	<u>Increase (Decrease)</u>	
			<u>HK\$m</u>	<u>%</u>
<b>Assets</b>				
Investment properties	70,060	68,388	1,672	2.4
Other property, plant and equipment	103,613	79,576	24,037	30.2
Service concession assets	28,269	27,755	514	1.9
Railway construction in progress	-	19,064	(19,064)	(100.0)
Property development in progress	17,484	17,983	(499)	(2.8)
Interests in associates	7,015	5,912	1,103	18.7
Properties held for sale	1,394	1,139	255	22.4
Debtors, deposits and payments in advance	4,073	5,135	(1,062)	(20.7)
Amounts due from related parties	2,171	1,636	535	32.7
Cash, bank balances and deposits	20,290	12,318	7,972	64.7
Others	2,971	2,197	774	35.2
<b>Total Assets</b>	<b>257,340</b>	<b>241,103</b>	<b>16,237</b>	<b>6.7</b>
<b>Liabilities</b>				
Debts	39,939	20,811	19,128	91.9
Creditors and accrued charges	30,896	22,860	8,036	35.2
Current taxation	123	953	(830)	(87.1)
Amounts due to related parties	11,783	1,858	9,925	534.2
Obligations under service concession	10,507	10,564	(57)	(0.5)
Deferred tax liabilities	12,125	11,209	916	8.2
Others	2,411	2,677	(266)	(9.9)
<b>Total Liabilities</b>	<b>107,784</b>	<b>70,932</b>	<b>36,852</b>	<b>52.0</b>
<b>Total Equity</b>	<b>149,556</b>	<b>170,171</b>	<b>(20,615)</b>	<b>(12.1)</b>

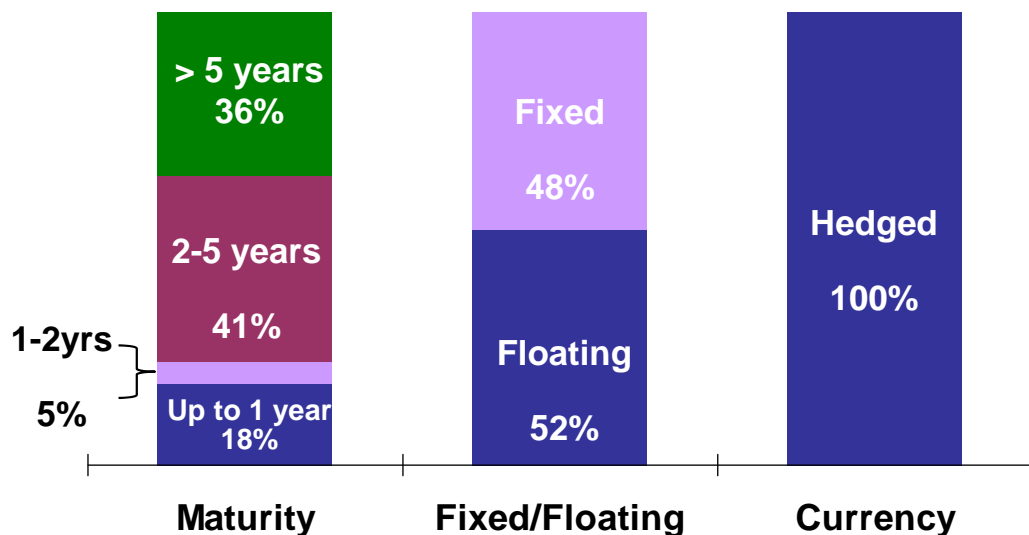


# Cash Flow

<i>(HK\$m)</i>	<u>2016</u>	<u>2015</u>	<u>Favourable (adverse) change</u>	<u>%</u>
			HK\$m	
<b>Cash Inflow</b>				
Cash flows from operating activities before tax payment and working capital movements	17,475	16,186	1,289	8.0
Working capital movements	1,661	271	1,390	512.9
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	625	653	(28)	(4.3)
Receipts in respect of property development	5,403	8,234	(2,831)	(34.4)
Others	1,160	940	220	23.4
<b>Total inflows</b>	<b>26,324</b>	<b>26,284</b>	<b>40</b>	<b>0.2</b>
<b>Cash Outflow</b>				
Tax paid	(2,626)	(2,169)	(457)	(21.1)
Fixed and variable annual payment	(2,399)	(2,222)	(177)	(8.0)
Capital expenditure				
- Hong Kong new rail	(5,243)	(4,760)	(483)	(10.1)
- Hong Kong existing rail	(4,615)	(4,216)	(399)	(9.5)
- Property related	(1,789)	(11,983)	10,194	85.1
- Mainland of China and international railway related	(292)	(711)	419	58.9
Investment in/ net loan to associates	(1,286)	(152)	(1,134)	(746.1)
Net interest paid	(519)	(577)	58	10.1
Dividends paid	(18,616)	(5,905)	(12,711)	(215.3)
Others	(99)	(150)	51	34.0
<b>Total outflows</b>	<b>(37,484)</b>	<b>(32,845)</b>	<b>(4,639)</b>	<b>(14.1)</b>
<b>Net cash inflow/ (outflow) before financing</b>	<b>(11,160)</b>	<b>(6,561)</b>	<b>(4,599)</b>	<b>(70.1)</b>
Net drawdown/ (repayment) of loans	19,431	154	19,277	n/a
<b>Increase/ (Decrease) in cash</b>	<b>8,271</b>	<b>(6,407)</b>	<b>14,678</b>	<b>n/a</b>
Cash, bank balances and deposits as at 1 Jan 2016	12,318	18,893	(6,575)	(34.8)
Effect of exchange rate changes (on opening foreign currency cash balances)	(299)	(168)	(131)	(78.0)
<b>Cash, bank balances and deposits as at 31 Dec 2016</b>	<b>20,290</b>	<b>12,318</b>	<b>7,972</b>	<b>64.7</b>

# Financing and Credit Ratios

## Company Debt Profile (31 Dec 2016)<sup>(1)</sup>



Consolidated group borrowings outstanding:

**HK\$39,939m** (HK\$20,811m as at 31 Dec 2015)

Average borrowing cost<sup>(2)</sup> : **2.9%**

0.6%pt

Net interest expense<sup>(2)</sup>: **HK\$612m**

2.2%

Compared to 2015 figures

	Dec 2016	Dec 2015
<b>Net Debt / Equity ratio<sup>(2)</sup></b>	<b>20.2%</b>	<b>11.3%</b>
<b>Interest cover</b>	<b>12.7x</b>	<b>14.4x</b>

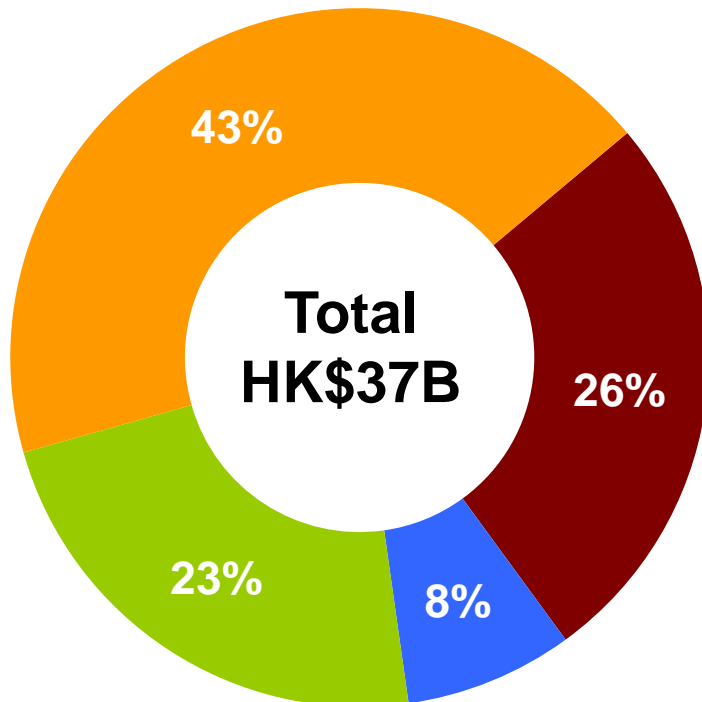
1. Excludes Mainland of China and overseas subsidiary debts

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

# Capital Expenditure & Investments



**2017-2019**



- Maintenance CAPEX
- New Railway Projects
- China & Overseas
- Hong Kong Property Investment & Development

**Estimated spend:**  
 2017 - HK\$11.7 billion  
 2018 - HK\$11.5 billion  
 2019 - HK\$14.0 billion

# Business Update

Patronage	Jan to May 2017 (YoY%)
- Domestic services	Up 2.9%
- Airport express	Up 3.1%
- Cross-boundary services	Down 0.3%
Fare	Mid-2017
- FAM rise	1.49% (Rollover to 2018)
Total tenant sales turnover	1Q2017 (YoY%)
Station commercial	
- Station kiosks	Up low to mid-single digit
- Duty free shops	Down low-single digit
Shopping malls	
- Elements	Up low to mid-single digit
- Shopping malls excluding Elements	Down mid-single digit
Industry statistics	1Q2017 (YoY%)
- Hong Kong retail sales	Down 1.3%
- Hong Kong tourist arrivals	Up 3.7%

Source: Company data and government figures



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