Business Overview
Vision, Mission and Values

MTR’s successful track record of more than 35 years has been built on a clear vision and set of values that have guided the Corporation and every employee on the way to conduct its business.

**Vision**

- We aim to be a leading multinational company that connects and grows communities with caring service.

**Mission**

- We will strengthen our Hong Kong corporate citizen reputation
- We will grow and enhance our Hong Kong core business
- We will accelerate our success in the Mainland and internationally
- We will inspire, engage and develop our staff

**Values**

- Excellent Service
- Mutual Respect
- Value Creation
- Enterprising Spirit

About MTR

MTR is regarded as one of the world’s leading railways for safety, reliability, customer service and cost efficiency. In addition to its Hong Kong, China and international railway operations, the MTR Corporation is involved in a wide range of business activities including the development of residential and commercial properties, property leasing and management, advertising, telecommunication services and international consultancy services.

Corporate Governance

The management of the Corporation is overseen by a chief executive officer and an executive committee. They report to a Board headed by a non-executive chairman and made up of local business and community leaders and government representatives.

The Corporation is committed to a high standard of business ethics and integrity. To foster an ethical culture in the workplace, all staff are required to follow a Code of Conduct in their daily duty.

The MTR Story

The MTR Corporation was established in 1975 as the Mass Transit Railway Corporation with a mission to construct and operate, under prudent commercial principles, an urban metro system to help meet Hong Kong’s public transport requirements. The sole shareholder was the Hong Kong Government.

The Company was re-established as the MTR Corporation Limited in June 2000 after the Hong Kong Special Administrative Region Government sold 23% of its issued share capital to private investors in an Initial Public Offering. MTR Corporation shares were listed on the Stock Exchange of Hong Kong on 5 October 2000.

The Corporation marked another major milestone on 2 December 2007 when the operations of the other Government-owned rail operator, the Kowloon-Canton Railway Corporation, were merged into the MTR, heralding a new era in Hong Kong railway development.

Other than bringing more efficient and competitively-priced services to local rail passengers, the merger brought new growth opportunities to the MTR Corporation’s businesses in and outside of Hong Kong.

Today, along with its transport services in Hong Kong, the Corporation has railway operations serving cities in the Mainland of China, the U.K., Australia and Sweden.
MTR’s unique vertically integrated Hong Kong business model seamlessly connects railway service with communities above stations in a way that optimises land use, contributes to the growth of the city and is financially and environmentally sustainable in the long run.

Inside and outside Hong Kong, MTR employees are committed to serving communities with excellence, professionalism and a spirit of continuous improvement.
MTR is a critically important part of the communities it serves, bringing people together and keeping cities on the move. MTR operates on the basis that it must meet the needs of the present while looking ahead to ensure that it can also meet the needs of stakeholders to come.

Meeting Stakeholders’ Needs

To provide better and more efficient transportation services and to connect and grow communities, MTR adopts a comprehensive stakeholder engagement approach to its business. The Corporation strives to ensure that customers’ needs are met, employees are treated with respect and impacts on the environment are well managed, while making positive contributions to the communities that it serves. Initiatives in these areas are central to MTR’s corporate responsibility vision.

Safety First

Maintaining high safety standards across all services and projects is the bedrock of MTR’s operations - extending to employees, customers, partners, contractors and anyone legitimately entering MTR facilities.

Environment

MTR aims to be one of the most resource-efficient and ecologically sustainable railway and property service providers in the world. The Corporation is committed to reducing carbon emissions, increasing energy efficiency, protecting important natural habitats and mitigating negative impacts from its operations.

Customers

MTR pursues continuous improvement in its railway and property-related services to further enhance the consistently high standards of customer service and bring more comfort and convenience to passengers’ daily journeys.

Stepping Forward for Good Health

The Corporation sponsors “Youth-Run Our City” to offer free running training to students from districts all over Hong Kong with the aim to encourage the youth to develop healthy habits at a young age while also promoting the Corporation’s commitment to connect with the communities.

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Hong Kong Operations and Services

Depots

MTR’s reliable train service performance is sustained by stringent standards for rolling stock maintenance and repairs, advanced asset management systems and a dedicated workforce. More than 2,000 train and light rail cars are serviced at nine maintenance depots located in Kowloon Bay, Tsuen Wan, Chai Wan, Tsing Kwan O, Siu Ho Wan, Ho Tung Lau, Tai Wai, Pat Heung and Tuen Mun. Three depots for buses are located in Tuen Mun, Tai Po and Hung Shui Kiu. Hong Kong’s first depot for fully automatic train operations was built at Wong Chuk Hang as part of the South Island Line railway project.

Track and Systems Maintenance

Unseen by passengers, the MTR network is bustling with activity during overnight non-service hours as maintenance crews undertake essential inspection, repair and replacement of railway systems and equipment. To optimise this important work during the small window of time available, an advanced artificial intelligence system is used to automate the scheduling of nightly engineering work.

Rapid Response Units

To minimise the inconvenience caused by delays, which happen in complex railway systems from time to time, MTR deploys specialised Rapid Response Units for tactical maintenance handling and swift service recovery. Experts from the Infrastructure Maintenance Rapid Response Unit are strategically deployed in the rail network, so they can be first on the scene to immediately start recovery work, while the Customer Service Rapid Response Unit provides special crowd management measures to assist passengers. In addition, mobile recovery units of the Rolling Stock Rapid Response Unit can be quickly deployed to the scene of service disruptions to rectify train faults.

Total Route Length (MTR, Airport Express and Light Rail): 230.9 km (as at 2017)

<table>
<thead>
<tr>
<th>MTR Railway Lines</th>
<th>Kowloon Tong, Tsuen Wan, Island, Tung Chung, Tsing Kwan O, Disneyland Resort, East Rail, Ma On Shan, West Rail and South Island lines</th>
<th>Airport Express</th>
<th>Light Rail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total route length</td>
<td>187.4 km</td>
<td>35.2 km (on main shared tracks with Tung Chung Line)</td>
<td>36.2 km</td>
</tr>
<tr>
<td>Total number of stations</td>
<td>91</td>
<td>5 (3 are integrated with Tung Chung Line)</td>
<td>68</td>
</tr>
<tr>
<td>Number of train cars</td>
<td>2,018</td>
<td>88</td>
<td>141</td>
</tr>
<tr>
<td>Daily hours of operation</td>
<td>19 (except East Rail Line and Ma On Shan Line: 19:5)</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Designed maximum one-direction loading per hour</td>
<td>Tung Chung Line - 45,000; Kowloon Tong, Tsuen Wan, Island and Tsing Kwan O Lines - 85,000; Disneyland Resort Line - 10,800; East Rail Line - 101,000; Ma On Shan Line - 32,000; West Rail Line - 64,000; South Island Line - 12,000</td>
<td>6,400</td>
<td>-</td>
</tr>
</tbody>
</table>

MTR invests more than HK$38.6 billion every year to upgrade, maintain and replace railway infrastructure and assets to maintain high quality train services.

Hong Kong Railway Lines

<table>
<thead>
<tr>
<th>Route Length (km)</th>
<th>14.2</th>
<th>16</th>
<th>16</th>
<th>11.9</th>
<th>7</th>
<th>3.3</th>
<th>41.1</th>
<th>11.4</th>
<th>35.2</th>
<th>36.2</th>
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<tbody>
<tr>
<td>Number of Train</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Morning Peak</td>
<td>33</td>
<td>34</td>
<td>35</td>
<td>13</td>
<td>16</td>
<td>7</td>
<td>2</td>
<td>32</td>
<td>13</td>
<td>26</td>
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<tr>
<td>Evening Peak</td>
<td>30</td>
<td>34</td>
<td>33</td>
<td>13</td>
<td>16</td>
<td>7</td>
<td>2</td>
<td>28</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Length of Train</td>
<td>162</td>
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<td>162</td>
<td>184</td>
<td>162</td>
<td>70</td>
<td>91</td>
<td>292</td>
<td>195</td>
<td>202</td>
</tr>
<tr>
<td>Car Capacity</td>
<td>39-45 seated and 268-272 standing</td>
<td>39-45 seated and 268-272 standing</td>
<td>39-45 seated and 268-272 standing</td>
<td>39-45 seated and 268-272 standing</td>
<td>39-48 seated and 178-187 standing</td>
<td>60 seated and up to 120 standing</td>
<td>52 seated and up to 286 standing</td>
<td>40-52 seated and up to 286 standing</td>
<td>64 seated</td>
<td></td>
</tr>
<tr>
<td>Quiet Car</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speed Average</td>
<td>33 kph</td>
<td>33 kph</td>
<td>33 kph</td>
<td>80 kph</td>
<td>33 kph</td>
<td>38 kph</td>
<td>55 kph</td>
<td>50 kph</td>
<td>38 kph</td>
<td>56 kph</td>
</tr>
<tr>
<td>Maximum</td>
<td>80 kph</td>
<td>80 kph</td>
<td>80 kph</td>
<td>135 kph</td>
<td>80 kph</td>
<td>80 kph</td>
<td>80 kph</td>
<td>120 kph</td>
<td>100 kph</td>
<td>135 kph</td>
</tr>
<tr>
<td>Frequency (weekday)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morning Peak (sec)</td>
<td>126</td>
<td>120</td>
<td>112</td>
<td></td>
<td></td>
<td>200</td>
<td>270</td>
<td>157</td>
<td>180</td>
<td>171</td>
</tr>
<tr>
<td>Evening Peak (sec)</td>
<td>140</td>
<td>124</td>
<td>124</td>
<td></td>
<td></td>
<td>200</td>
<td>270</td>
<td>200</td>
<td>240</td>
<td>210</td>
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<tr>
<td>Journey Time (min)</td>
<td>35</td>
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<td>31</td>
<td>27</td>
<td></td>
<td>12</td>
<td>4.5</td>
<td>16</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Maintenance Depot</td>
<td>Kowloon Bay</td>
<td>Tsuen Wan</td>
<td>Chai Wan</td>
<td>Siu Ho Wan</td>
<td>Tsing Kwan O</td>
<td>Wong Chuk Hang</td>
<td>Siu Ho Wan</td>
<td>Hung Hom</td>
<td>Tai Wai</td>
<td>Pat Heung</td>
</tr>
<tr>
<td>Control Room</td>
<td>Tsing Yi</td>
<td>Tsing Yi</td>
<td>Tsing Yi</td>
<td>Tsing Yi</td>
<td>Tsing Yi</td>
<td>Sunny Bay</td>
<td>Tsing Yi</td>
<td>Tsing Yi</td>
<td>Tsing Yi</td>
<td>Tsing Yi</td>
</tr>
</tbody>
</table>
Customer Experience

High speed mobile and data services keep passengers seamlessly connected throughout their journeys while an attractive mix of station retail outlets and services add to the outstanding convenience of travel on the MTR. Earnings from station retail rentals and advertising also make the MTR a leader among the world’s metros in non-farebox revenues.

Station Retail

Whether passengers are going to and from work or school or are out to enjoy leisure activities, MTR stations provide convenient places for passengers to enjoy a wide variety of goods and services on offer – everything from food to fashion, health and beauty, books, banking, convenience stores, dry cleaning shops, shoe repairs and travel services.

With MTR stations being used by millions of passengers a day, occupancy rates in these locations have always been high.

More user-friendly services along the railway alignment include shopping centres; duty-free shops at Lo Wu, Lok Ma Chau and Hung Hom stations; exhibition space; ATMs; public car parks; and park and ride services for passengers.

Advertising

Innovative advertising and promotion campaigns are a well-established feature of the MTR network. MTR uses traditional and digital advertising panels, concourse and trackside digital screens, as well as the multi-media broadcast service on board trains, and free publications to create opportunities for advertisers to reach large numbers of targeted consumers.

Telecommunications

MTR passengers can easily stay connected as they travel around the railway network. They may access the Internet and other high speed data services via their mobile devices. Free Wi-Fi services are also available at all MTR stations and on Airport Express trains.

MTR Mobile

With over 1 million users per month, the multi-award-winning MTR Mobile app provides an easy-to-use and convenient solution to journey planning on the MTR. Point-to-point search, fare information, recommended routing, estimated journey time, first/last train schedule and station services are just some of the functions available to users at their fingertips. New features including the In-station Finder and Fast Exit functions were introduced in 2017 to offer a more personalised travelling experience to passengers.

In addition, the Traffic News function provides push notification when tropical cyclones are affecting Hong Kong, of special train service arrangements during festive holidays as well as alerts when train service has been or is expected to be seriously delayed. The Next Train app provides passengers with real-time information on train services for the Airport Express, Tung Chung Line, West Rail Line and Tsuen Kwan O Line.

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Construction

For more than 35 years, MTR has been delivering major railway infrastructure projects to world-class design and engineering standards. Extensive network expansion projects currently underway will help to drive Hong Kong forward as a vibrant, connected and sustainable city for generations to come. In 2016, two new lines were opened for passenger service, the Kwun Tong Line Extension and the South Island Line.

To manage the critical relationships that contribute to effective project delivery, MTR engages in extensive community and stakeholder engagement from the initial planning stage right through to construction and project delivery.

New Projects in Hong Kong

Guangzhou-Shenzhen-Hong Kong Express Rail Link

Works commenced on the 26-km Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link in 2010. When completed, the link will connect Hong Kong West Kowloon Station to the National High-speed Rail Network with services to major Mainland cities.

Shatin to Central Link

This is a 17-km strategic railway line that comprises first, the extension of the Ma On Shan Line from Tai Wai via East Kowloon to Hung Hom where it will connect with the West Rail Line. The second phase will see the extension of the East Rail Line from Hung Hom across Victoria Harbour to Hong Kong Island. Construction works commenced in 2012.

New Railway Projects under Discussion

Beyond the two remaining Rail Gen 2.0 new railway projects under construction, the Hong Kong Government has identified seven new rail projects under its Railway Development Strategy 2014. As at early 2018, the Government has invited MTR to submit project proposals for five of these projects, namely the Tuen Mun South Extension, the Northern Link (and Kau Tong Station), the East Kowloon Line, the Tung Chung West Extension (and Tung Chung East Station) and the North Island Line. Proposals have been submitted for four of these projects, while that for the North Island Line will be submitted in the second half of 2018.

The nine Hong Kong-owned high speed trains will operate under the name Vibrant Express.

Building Hong Kong’s Public Transport Backbone

Hong Kong’s urban metro system began to take shape in 1979 with the commissioning of the Modified Initial System which forms part of what is now the Kwun Tong Line. A year later, the first cross-harbour rail link connecting Hong Kong Island and the Kowloon Peninsula opened for service, bringing profound changes in the way Hong Kong people commute. Subsequent milestones included the opening of the Tsuen Wan Line (1982), the Island Line (1986), and the second rail link across the harbour (1989).

The HK$35 billion Airport Railway project comprising the Airport Express and the commuter Tung Chung Line went into service in 1998, followed by the Tsing Kwan O Line (2002) and LOHAS Park Station (2009). The Island Line was extended to the western tip of Hong Kong Island in December 2014. The railway network further extended to the Ho Man Tin and Whampoa areas with the commencement of passenger service on the Kwan Tong Line Extension in October 2016, and reached the Southern District for the first time upon the opening of the South Island Line in December 2016.

As a result of these projects, the Corporation today has a team of highly capable professionals whose experience in project design, construction and management make them ideally suited to undertake Hong Kong’s newest rail projects.

A total of 11 tunnel units for the Shatin to Central Link’s cross-harbour railway tunnel have been immersed and installed in Victoria Harbour.

43 km

Route length of 2 new railway projects

Station retail outlets (December 2017)

Advertising units in stations + trains (December 2017)
Through its successful Rail plus Property integrated development model, MTR Corporation not only builds new railway lines but also plans and creates fully integrated commercial and residential communities along the railway alignment. This enhances land values and stimulates patronage. Profits generated from property sales can be used to finance new railway projects. Fares can thus be kept at reasonable levels without the need for government subsidies.

**Property Development**

MTR Corporation has completed developments at 39 MTR stations, providing some 100,000 housing units and more than 2 million square metres of commercial space.

The rail merger in 2007 further enhanced the Corporation’s already solid property portfolio, with the addition of eight property sites along the East Rail Line, Ma On Shan Line, Light Rail and the Kowloon Southern Link (now in service as part of the West Rail Line), as well as investment properties under development.

Property projects are currently under development along the Light Rail, Tsuen Wan O Line, Ma On Shan Line, South Island Line, Kwun Tong Line as well as the West Rail Line.

Completed projects of note include the 118-storey International Commerce Centre at Kowloon Station in West Kowloon and the 88-storey Two IFC at Hong Kong Station in the central business district on Hong Kong Island. They are Hong Kong’s tallest buildings.

**MTR’s First Self-Developed Mall - Maritime Square 2**

In December 2017, the Corporation successfully completed Maritime Square 2, its first self-developed shopping mall in Hong Kong. As an extension of Maritime Square above Tsing Yi Station, the new 12,100-square-metre mall was converted from the former Tsing Yi Lorry Park, and features an approximately 5,000-square-metre scenic roof garden and green balcony, as well as new community facilities for better connectivity in the surrounding neighbourhood.

Two future additions to the MTR’s shopping centre portfolio will be retail malls in Tai Wai and LOHAS Park. These projects are set to increase the attributable gross floor area of the existing retail portfolio by approximately 34%.

**MTR Malls**

MTR Corporation owns and manages 13 retail complexes throughout Hong Kong. The flagship shopping centre in its portfolio is ELEMENTS. The luxury shopping space above Kowloon Station is home to the world’s most coveted brand names and is a lifestyle shopping destination.

MTR Malls is an industry leader in reducing environmental impacts at its properties, including through the installation of energy saving equipment and commitment to waste reduction programmes.

The outstanding performance of MTR Malls has been widely recognised over the years with numerous awards for providing outstanding shopping and customer experiences.

**Premier Property Management Service**

Through the day-to-day management of over 96,000 residential units, 13 malls and five office buildings (over 772,000 square metres of commercial and office space), the Corporation is one of the largest property managers in Hong Kong.

MTR’s property management teams provide high quality living and working environments and excellent services to residents, tenants and owners alike. To actively promote environmental protection and waste reduction, waste recycling schemes have been introduced at all managed properties and extended in recent years to cover glass bottles and food waste.

At luxury residential and commercial properties, Premier Plus management delivers the highest quality of services along with hospitality standards matching those of international five-star hotels.

**Building New Communities for Hong Kong**

Following the completion of the new South Island Line and the Kwun Tong Line Extension, property developments at Wong Chuk Hang Station and Ho Man Tin Station are in progress.

In view of the market demand for more land supply, the Corporation will continue to explore opportunities for property developments along its railway lines. Among these is a site above Siu Ho Wan depot on Lantau Island where, with the necessary zoning and other statutory approvals, around 14,000 residential units could be built.

The Rail plus Property integrated development model will continue to be used to finance future railway projects in Hong Kong and to bring ever more efficient rail services as well as quality living to Hong Kong’s growing population.

More details of the Corporation’s property business are available at: www.mtr.com.hk

**Properties**

**Managed residential flats in Hong Kong (2017)**

**Square metres of managed commercial and office space in Hong Kong (2017)**

**An artist’s impression of the future LOHAS Park Shopping Mall.**

**The Corporation strives for excellence in property management services.**

**The Crown Station Property Development is a prominent example of MTR’s Rail plus Property integrated development model.**

**The Kowloon Station Property Development is a prominent example of MTR’s Rail plus Property integrated development model.**

**MTR Corporation’s flagship shopping mall, ELEMENTS, atop Kowloon Station.**
Mainland of China and International Businesses

Building on its world-class railway services in Hong Kong, over the past decade MTR Corporation has taken its expertise in railway development and operations to major cities in the Mainland of China, the United Kingdom, Sweden and Australia. To meet the needs of different cities, the projects are structured under different models such as Public-Private-Partnerships, Build-Operate-Transfer, and Operations and Maintenance concessions.

### International Railways

Through its international business, the Corporation has delivered significant enhancements to train service performance as well as customer service improvements to existing rail lines in London, Stockholm and Melbourne through Operations and Maintenance concessions. MTR’s also participating in the design and construction of a new railway in Sydney under a PPP contract.

### Beijing Metro

- **Beijing Metro Line 16**, a RMB47.4 billion PPP, of which the
  - Beijing Metro Line 14, a RMB50 billion PPP, which is opening in
  - Beijing Metro Daxing Line, an extension of Line 4, which operates

### Beijing Infrastructure Investment Co. Ltd. and Beijing Capital Group.

*Previously known as Crossrail*

### Stock Market Exposure

- **Hangzhou Metro Line 1**, which started service in November 2012, is a
- **Hangzhou Metro Line 5**, which started service in November 2015.
- **Hangzhou Metro Line 1/Line 1 extension**, which started service in November 2013.
- **Macau Light Rapid Transit Taipa Line**, which started service in November 2016.
- **TFL Rail (Elizabeth Line)**, which started service in December 2016.

### International Railways

- **Stockholm Metro in Sweden,**
- **Stockholm commuter rail in Sweden,**
- **MTR Express in Sweden,**
- **MTR Tech, which maintains rolling stock for Stockholm commuter rail in Sweden,**
- **MTR Express in Sweden,**
- **TFL Rail / Elizabeth Line in the UK,** and
- **South Western Railway in the UK.**

A 30% owned associate of the Corporation took over the operations and maintenance franchise for the South Western Railway in August 2017. With a route length of 998 km and serving 203 stations, this is one of the UK’s largest rail networks and serves London and south western England. Under the new seven-year franchise, rail passengers will progressively enjoy a series of service enhancements.

### New Railway Services

- **TFL Rail / Elizabeth Line** (London)
  - MTR Corporation (Crossrail) Limited was awarded the operating concession for future Elizabeth Line services by Transport for London in July 2014. The Elizabeth Line is a new 118-km high frequency, high capacity railway for London which will open in phases starting from 2015 to 2019. The service is initially branded as “TFL Rail” as it commenced the first phase of operations from Liverpool Street to Shenfield in May 2015, and will be renamed as the Elizabeth Line in 2018.

### Consultancy and Contracting Services

The Corporation offers worldwide consultancy and contracting services on railway planning, design management, system integration and assurance, project management, construction management, railway operations & maintenance and non-fare revenue business. The Corporation has provided services to a number of railway and metro companies, government authorities and rail system suppliers in Australia, Mainland of China, India, Middle East, Latin America and Southeast Asia. Locally in Hong Kong, MTR has been providing operation and maintenance services for the Automated People Mover (APM) at Hong Kong International Airport. The APM is currently being expanded to match the growth in air travel.

**Railway in Mainland of China and Macau**

The Corporation operates railway services to the highest international standards on newly-built lines in Beijing, Shenzhen and Hangzhou. Beijing rail lines are operated by Beijing MTR Corporation Limited (Beijing MTR), a joint venture company comprising MTR Corporation, Beijing Infrastructure Investment Co. Ltd. and Beijing Capital Group. These lines include:

- **Beijing Metro Line 4**, a RMB15.3 billion Public-Private Partnership (PPP) project.
- **Beijing Metro Line 14**, an extension of Line 4, which operates under O&M concession.
- **Beijing Metro Line 16**, a RMB47.4 billion PPP, which is opening in phases with full line operation after 2018, and
- **Beijing Metro Line 4**, a RMB15.3 billion PPP, which is opening in phases with full line operation after 2018, and
- **Beijing Metro Line 14**, a RMB50 billion PPP, which is opening in phases with full line operation after 2018.
- **Beijing Metro Line 16**, a RMB47.4 billion PPP, of which the Phase 1 started service in December 2016 and full line operation after 2018.

**Property in Mainland of China**

Tianzhu, MTR’s first property development in Mainland China, is conveniently situated above the depot of the Shenzhen Metro Longhua Line. The site has a developable gross floor area of 206,000 square metres. MTR won the bid for the site in August 2011, and handed over the sold residential units to the owners starting from December 2016.

### Sydney Metro Northwest

MTR is a member of the Northwest Rapid Transit Consortium which was awarded the Operations, Trains and Systems Public-Private Partnership contract for the project by Transport for New South Wales in September 2014. MTR Corporation is responsible for the procurement and construction of E&M systems and rolling stock, and the future operation of Sydney Metro Northwest, a 36-km line which will be Australia’s first fully-automated rapid transit rail system when it opens in 2019.

### Outside Hong Kong

**9 Railway Services**

Outside Hong Kong

**Railway in Mainland of China and Macau**

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- **Beijing Metro Line 14**, a RMB50 billion PPP, which is opening in phases with full line operation after 2018.

In July 2010, the Corporation’s wholly-owned subsidiary MTR Corporation (Shenzhen) Limited took over operations of Phase 1 of Shenzhen Metro Longhua Line (Line 4). Phase 2 of the line, a 16-km, 10-station extension constructed by MTR (Shenzhen) opened in June 2011. The RMB66 billion project is funded on a Build-Operate-Transfer model.

Hangzhou Metro Line 1, which started service in November 2012, is a RMB2.2 billion joint venture PPP project between MTR and Hangzhou Metro Group Co. Ltd. A 5.7-km extension of Hangzhou Metro Line 1 opened in November 2015.

The Corporation partnered with Hangzhou Metro Group again and signed another PPP project, Hangzhou Metro Line 5, in June 2017. The line is expected to commence operation in 2019.

In April 2018, MTR entered into a contract with Macau Special Administrative Region to provide pre-operations, operations and maintenance service for the Macau Light Rapid Transit Taipa Line for a period of 80 months. The line is expected to commence operation in 2019.

### Sydney Metro Northwest

MTR is a member of the Northwest Rapid Transit Consortium which was awarded the Operations, Trains and Systems Public-Private Partnership contract for the project by Transport for New South Wales in September 2014. MTR Corporation is responsible for the procurement and construction of E&M systems and rolling stock, and the future operation of Sydney Metro Northwest, a 36-km line which will be Australia’s first fully-automated rapid transit rail system when it opens in 2019.

**New Railway Services**

- **TFL Rail / Elizabeth Line** (London)
  - MTR Corporation (Crossrail) Limited was awarded the operating concession for future Elizabeth Line services by Transport for London in July 2014. The Elizabeth Line is a new 118-km high frequency, high capacity railway for London which will open in phases starting from 2015 to 2019. The service is initially branded as “TFL Rail” as it commenced the first phase of operations from Liverpool Street to Shenfield in May 2015, and will be renamed as the Elizabeth Line in 2018.

### Consultancy and Contracting Services

The Corporation offers worldwide consultancy and contracting services on railway planning, design management, system integration and assurance, project management, construction management, railway operations & maintenance and non-fare revenue business. The Corporation has provided services to a number of railway and metro companies, government authorities and rail system suppliers in Australia, Mainland of China, India, Middle East, Latin America and Southeast Asia. Locally in Hong Kong, MTR has been providing operation and maintenance services for the Automated People Mover (APM) at Hong Kong International Airport. The APM is currently being expanded to match the growth in air travel.
A sustainable business model is key to the long-term success of MTR as it allows the Corporation to provide reasonable returns to capital providers while maintaining high quality railway service and achieving its objectives in a responsible and sustainable manner.

MTR Corporation operates an integrated railway network in Hong Kong comprising the MTR built and owned metro railway lines and since 2 December 2007, the regional rail lines of the Kowloon-Canton Railway Corporation (KCRC) under a service concession arrangement. MTR is listed on the Stock Exchange of Hong Kong with a market capitalisation of HK$275.2 billion as of 31 December 2017.

Since the commencement of MTR operations in 1979, the Corporation’s fare revenue has grown as a result of patronage and fare increases. Other recurring revenue comes mainly from property rental and management, station retail rental and advertising, provision of telecommunications coverage within the railway network, overseas railway operations and provision of international rail consultancy services.

The Corporation’s operating costs, which principally comprise staff costs, energy costs, repairs and maintenance, and station commercial related business expenses, have been well contained in relation to revenue growth. Operating margins have been maintained at a satisfactory level.

Profits from property developments on sites along the railway are important contributions to the Corporation’s overall return on investment.

Financing

The Corporation finances its operating and capital requirements through a variety of means including debt and equity issuance, income from railway and related operations, and profits from property development, investment and management.

All its external debt financing and related hedging activities are conducted in accordance with the Preferred Financing Model, which seeks to diversify risks by specifying a preferred mix of fixed and floating rate debt, a permitted level of foreign currency debt, a well-balanced spread of loan maturities and the use of different types of instrument.

Credit Rating

The Corporation was the first Hong Kong corporate entity to obtain internationally recognised credit ratings and has since maintained investment grade ratings on par with the Hong Kong Special Administrative Region Government. Currently, its foreign currency debts are rated AA+, Aa2 and AA+ respectively by Standard & Poor’s, Moody’s and Rating and Investment Information Inc. of Japan.

Rail Merger with KCRC

The rail merger with KCRC became effective on 2 December 2007 and involves, among other things, the expansion of the MTR Corporation’s existing franchise under the MTR Ordinance to provide the Corporation with the right to operate both the MTR and KCR railways for an initial period of 50 years from the merger date. At the same time, the Corporation acquired from KCRC certain property development rights, investment properties and property management rights.

The KCR railway system under the service concession arrangement consists mainly of the East Rail Line, West Rail Line, Ma On Shan Line, Light Rail, intercity passenger services as well as bus services. The property interests acquired from KCRC have increased both the land bank and the investment property portfolio of the Corporation, resulting in bigger property development potential and enhanced property rental income.

Five-Year Financial Statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>55,442</td>
<td>45,189</td>
<td>41,701</td>
<td>40,156</td>
<td>38,707</td>
</tr>
<tr>
<td>Operating profit before depreciation, amortisation and variable annual payment</td>
<td>21,088</td>
<td>17,624</td>
<td>15,071</td>
<td>15,039</td>
<td>13,795</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>4,835</td>
<td>4,127</td>
<td>3,849</td>
<td>3,405</td>
<td>3,172</td>
</tr>
<tr>
<td>Interest and finance charges</td>
<td>935</td>
<td>612</td>
<td>599</td>
<td>540</td>
<td>512</td>
</tr>
<tr>
<td>Investment property revaluation gain/(loss)</td>
<td>6,314</td>
<td>808</td>
<td>2,100</td>
<td>4,035</td>
<td>4,425</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>16,085</td>
<td>10,348</td>
<td>13,138</td>
<td>11,571</td>
<td>10,308</td>
</tr>
<tr>
<td>Profits attributable to shareholders of the Company</td>
<td>10,515</td>
<td>9,446</td>
<td>10,904</td>
<td>11,571</td>
<td>10,308</td>
</tr>
<tr>
<td>Ordinary dividend proposed and declared</td>
<td>6,728</td>
<td>6,317</td>
<td>6,207</td>
<td>6,116</td>
<td>5,335</td>
</tr>
<tr>
<td>Earnings per share (HK$)</td>
<td>2.83</td>
<td>2.00</td>
<td>2.00</td>
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Consolidated Statement of Financial Position (HK$ million)

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<tbody>
<tr>
<td>Total assets</td>
<td>263,768</td>
<td>257,324</td>
<td>251,100</td>
<td>237,152</td>
<td>219,823</td>
</tr>
<tr>
<td>Loans, other obligations and bank overdrafts</td>
<td>42,043</td>
<td>39,819</td>
<td>20,811</td>
<td>20,507</td>
<td>16,114</td>
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<tr>
<td>Obligations under service concession</td>
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<td>10,507</td>
<td>10,564</td>
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<td>Total equity</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Operating leverage (times)</td>
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Passenger Journeys

The rail system operated by the Corporation has served over 2.2 billion passengers in 2017. Rail service reliability has been maintained at a high level with 99.9% on-time performance, 2.00 billion tonnes of goods transported, and 2.247 million rail cars operated.

Credit Rating

The Corporation maintains investment grade ratings on par with the Hong Kong Special Administrative Region Government. Its foreign currency debts are rated AA+, Aa2 and AA+ by global credit rating agencies, indicating a high level of creditworthiness.

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