

## MENU

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## CEO LETTER

Looking back at MTR's performance in 2016, we at MTR are proud of what has been achieved. Whilst continuing to enhance our world class level of service, we have also opened the Kwun Tong Extension Line and the South Island Line (East) in Hong Kong, taken over the Pendeltåg concession in Sweden and, our associate company, Beijing MTR Corporation Limited, had opened Phase 1 of Beijing Metro Line 16 in the Mainland of China. We have invested in our people, deepened our dialogue within Hong Kong, continued our global business growth and are investing in our future.

Let's start with the opening of the 2.6-km Kwun Tong Line Extension in October, and the 7-km South Island Line (East) in December; these two lines with six new stations have increased our ability to connect Hong Kong. MTR is now present in all of Hong Kong's 18 districts. The two lines were completed after years of hard work, both in planning and construction, and represent the culmination of our local community dialogue as well as our technical construction capabilities. We are proud of the opening of these

two lines, and greatly treasure the opportunity to continue to connect the Hong Kong community.

As we expand our system, we continue to maintain our world class on-time performance as well as our constant focus on safety. To keep our customer needs at the forefront, we are continuing to improve our customer engagement to better understand and meet their current and future needs. Our Customer Vision 2030 study provides insights on how we aim to cater for the needs of different customer groups.

Riding on the opportunities offered by our new railway lines and our various asset replacement projects, we are looking further into the future to transform our services to meet Hong Kong's changing demographic needs, developing smart and resilient station features and design, and exploring opportunities to utilize new forms of digital technology to enhance services delivered by both our rail and property businesses.

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Such large investments require a sustainable financial model and the Fare Adjustment Mechanism (FAM) is an important part of this. We recognise that fare increases may be challenging for some communities in Hong Kong and we have a variety of offers in place to help these communities. At the same time, it is worthwhile to note that over the past years, our fare increases have been quite a bit lower than average increases in both inflation and salary and, when compared to other systems around the world, our current fares are one of the most affordable.

This year we were able to capitalize on MTR's inherent sustainability and our investments to save energy and increase efficiency through the launch of our Green Bond. The goal with this is to drive investment in service enhancements and environmental performance. As a low-carbon transport operator, we want to help Hong Kong develop as a regional green financial hub, as doing so will also enhance our sustainable financial model.

Our system is only as good as the people who run it and therefore our human resources strategy must ensure that we have the people we need for both current operations and future expansions. Toward these ends, we continue to focus on recruitment, training, mobility, and succession planning with the MTR Academy serving as an important element. The Academy will become our hub for rail and rail-related knowledge and through this we aim to enhance rail skill-sets and expertise not only for people in Hong Kong but also those from cities abroad including ones along the Belt and Road initiative.

An important aspect of our long term success is our global business, which benefits MTR not only financially but also enhances our brand reputation, allows us to learn from global best practices and sharpens our competitiveness. Our strategy, therefore, seeks to expand further our businesses both within and outside Hong Kong.

Overall, 2016 has been a successful year for MTR. In the coming years I'm sure that we will face new challenges as we continue to deliver the high performance standards expected of us in Hong Kong. A recent challenge was the arson incident in Tsim Sha Tsui in February 2017. Our colleagues responded robustly, professionally and speedily, working in partnership with the Police and Fire Services Department, enabling injuries and damages to be minimised. In addition to raising donations for those injured in the incident, we have formed a review panel to evaluate the incident, and are following-up on implementing the recommendations from the report which was released in April. We uphold the safety first culture and learn from each incident; with the people, investments and programmes we have in place, I'm confident of our collective ability to meet future challenges.

I look forward to continuing the journey with you all.

**Lincoln Leong Kwok-kuen**

Chief Executive Officer

9 May 2017