

MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[Rail Plus Property Model](#)

[Green Bond](#)

[Corporate Governance](#)

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)



FINANCIAL AND ECONOMIC PERFORMANCE

In 2016, on average we carried approximately 5.6 million passengers each weekday across our rail network and bus passenger services in Hong Kong. We also have hundreds of thousands of people living, working and shopping in properties we develop or manage. Therefore, our performance impacts not only our shareholders but also a wide range of stakeholders.



HK\$257,340 million

Total assets as at
31 Dec 2016



8.4%

Increase in total
revenue

MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

► Introduction

Fares for Hong Kong Transport Operations

Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

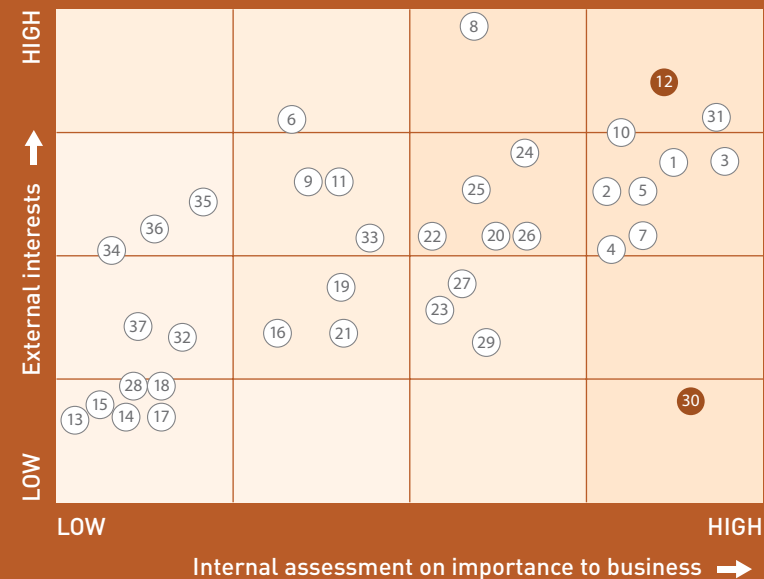
INTRODUCTION

The capital intensive nature of our industry has traditionally made it difficult for railway companies to secure the financing that they need to operate and grow. For us to consistently deliver the world-class service that our customers expect, it is crucial that we have sufficient financial capability to fund the investments, maintenance and upgrades that take place across our businesses today and into the future. Hence, sustainable financial health is of utmost importance.

In this section, we highlight the need for a stable fare revenue which is one of most important sources of recurrent income for the Company. We also use a number of proven financing models such as the Rail plus Property model, Public-Private Partnerships, and service concessions and cash grants to support the delivery of high quality railway services over the long term. For the first time, we have issued a green bond in November 2016 to fund projects that enable us to continue to provide green transport and property services. These will be discussed in detail in this section.

In other sections of this report, you can read about how we invest continuously to maintain, improve and expand our services for customers; and future trends that may impact or contribute to our future trends.

MATERIALITY ISSUES COVERED IN THIS CHAPTER



12 Access to essential services (incl avoidance of service disruption)

30 Payment from government / tax payment

MENU

[Introduction](#)
[Chairman's Message](#)
[CEO Letter](#)
[Safety](#)
[Customers](#)
[Community](#)
[Environment](#)
[Staff](#)
[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)
[Fares for Hong Kong Transport Operations](#)
[Rail Plus Property Model](#)
[Green Bond](#)
[Corporate Governance](#)
[Building Our Future](#)
[Mainland of China and International Business](#)
[Performance Metrics](#)

Economic and Financial Performance Highlights

Since our establishment in 1975, we have developed along with Hong Kong. We connect and grow communities with caring service, providing safe and reliable transport to link people with what matters to them most; at the same time, the growth of the Company was enabled by a booming economy and a well-rounded education system in Hong Kong, which together provided the capital, skilled labour force, as well as a sizable market for our services.

Our contribution to Hong Kong is beyond the profit we generated for our shareholders. To illustrate, we have prepared a value added and distributed statement this year. Revenue is the economic value we created for the transport, property and other services we provide to our customers; these are then distributed to our stakeholders – suppliers, employees, lenders, shareholders, government and the community at large. The retained profit represents the reinvestment we made to maintain and upgrade our current assets, as well as the capacity to fund new projects.

VALUE ADDED AND DISTRIBUTION STATEMENT IN 2016 (HK\$ million)

Economic Value Generated

Revenue from Hong Kong Transport Operations
\$17,655

Revenue from Hong Kong Station Commercial businesses
\$5,544

Revenue from Hong Kong Property Rental and Management Businesses
\$4,741

Revenue from Mainland of China and International Subsidiaries
\$ 14,826

Revenue from Other Businesses
\$2,423

Profit from Hong Kong Property Development¹
\$ 337

Total: 45,526

Economic Value Distributed

Staff Costs



Employees²
\$ 13,671

Operating Costs³



Suppliers & business partners
\$13,332

Fixed and Variable Annual Payments



KCRC
\$ 2,537

Interest & Finance Costs



Lenders⁴
\$297

Taxes⁵



Government
\$1,240

Ordinary Dividends⁶



Shareholders
\$6,238^{6,7}

Community Investment (excludes fare concessions and in-kind donation)



Community
\$23⁸

Economic Value Retained⁹

8,188

Total: 45,526

Notes:

- 1 Before taking into account staff costs of HK\$26 million.
- 2 Excludes staff costs capitalised for asset creation of HK\$1,385 million.
- 3 For simplicity reason, operating costs include interest income and share of profit or loss of associates, netted with profit attributable to other non-controlling interests.
- 4 Excludes interest expenses capitalised for asset creation of HK\$632 million.
- 5 Represents current income tax but excludes deferred tax for the year.
- 6 Represents ordinary dividends payout during the year.
- 7 Includes ordinary dividends paid to the Financial Secretary Incorporated of the HKSAR Government of HK\$4,701 million, but excludes the payment of the first tranche of special dividend under the XRL Agreement of HK\$12.9 billion.
- 8 Includes donations, sponsorships and other community engagement contributions, but excludes ongoing fare concessions and promotions of HK\$2,536 million and in-kind donations of HK\$22 million.
- 9 Economic value retained for reinvestment to generate future economic values. This represents underlying business profit attributable to shareholders of the Company (before depreciation, amortisation and deferred tax) for the year retained, after the amount distributed to our stakeholders, but before payment of the first tranche of special dividend under the XRL Agreement of HK\$12.9 billion.

MENU

[Introduction](#)
[Chairman's Message](#)
[CEO Letter](#)
[Safety](#)
[Customers](#)
[Community](#)
[Environment](#)
[Staff](#)
[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)
[Fares for Hong Kong Transport Operations](#)
[Rail Plus Property Model](#)
[Green Bond](#)
[Corporate Governance](#)
[Building Our Future](#)
[Mainland of China and International Business](#)
[Performance Metrics](#)

Financial Highlights

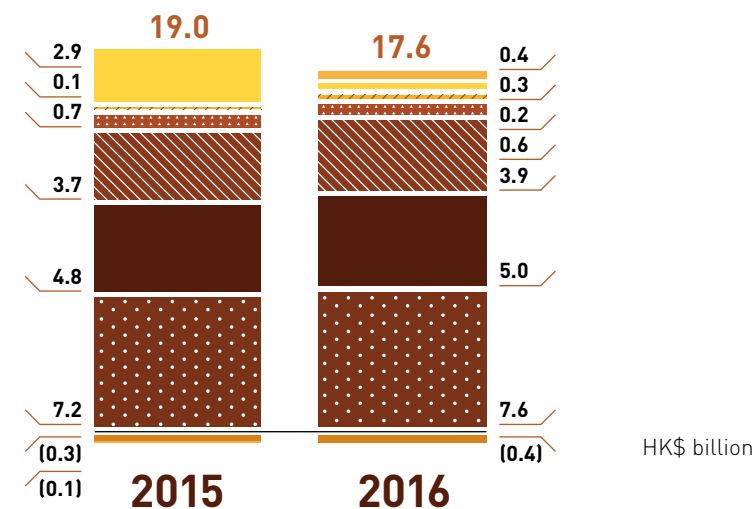
(HK\$m)	2015	2016	Change
Total revenue	41,701	45,189	▲ 8.4%
Total EBITDA ⁽¹⁾	16,120	17,313	▲ 7.4%
EBITDA ⁽¹⁾ margin	38.7%	38.3%	▼ 0.4%pt
EBITDA ⁽¹⁾ margin (excluding Mainland of China & int'l subsidiaries)	53.3%	53.9%	▲ 0.6%pt
Total EBIT ^(2, 3)	10,622	11,399	▲ 7.3%
EBIT ⁽²⁾ margin ⁽³⁾	25.5%	25.2%	▼ 0.3%pt
EBIT ⁽²⁾ margin ⁽³⁾ (excluding Mainland of China & int'l subsidiaries)	34.8%	34.8%	--
Profit from recurrent businesses ⁽⁴⁾	8,565	8,916	▲ 4.1%
Post-tax profit from property development in Hong Kong and Mainland of China	2,329	530	▼ 77.2%
Profit from underlying businesses ⁽⁴⁾	10,894	9,446	▼ 13.3%
Investment property revaluation	2,100	808	▼ 61.5%
Reported net profit attributable to shareholders of the Company ⁽⁴⁾	12,994	10,254	▼ 21.1%
Reported EPS (HK\$) ⁽⁴⁾	2.22	1.74	▼ 21.6%
Underlying businesses EPS (HK\$) ⁽⁴⁾	1.87	1.61	▼ 13.9%
Ordinary dividend per share (HK\$)	1.06	1.07	▲ 0.9%

Note: 1 - EBITDA represents operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment.
 2 - EBIT represents operating profit before interest and finance charges.
 3 - Excluding Hong Kong property development.
 4 - Net of non-controlling interests.

OPERATING PROFIT* CONTRIBUTION

- Mainland of China property development subsidiary
- Hong Kong property development
- Other businesses
- Mainland of China and international railway, property rental and management subsidiaries
- Hong Kong property rental and management businesses
- Hong Kong station commercial businesses
- Hong Kong transport operations
- Project studies and business development expenses

* Representing operating profit before depreciation, amortisation and variable annual payment



Consolidated data on [financial and economic performance](#) is available in the Performance Metrics section of this report.

DID YOU KNOW?

Financial Performance Benchmarking

According to [CoMET Benchmarking](#), we consistently outperform all other participating metros on financial performance measures by capacity provision and utilisation. This result reflects some attributes of the situation in Hong Kong, such as high population density, as well as the success of our Rail plus Property model, which allows us to operate on a self-sustaining basis while maintaining fares at an affordable level.

MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

 **Financial and Economic Performance**

Introduction

► Fares for Hong Kong Transport Operations

Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

FARES FOR HONG KONG TRANSPORT OPERATIONS

Fares are a sensitive issue for many of our stakeholders, particularly those living on low incomes or who depend on our services for convenient transportation to and from remote parts of our city; on the other hand, fare income is one of our major revenue sources that is sustainable and stable, which ensures we can support the significant investments required to maintain, replace and upgrade our assets over the long term.

The Fare Adjustment Mechanism (FAM) was agreed with the government at the time of our merger with KCRC in 2007, after extensive discussion, and approved by minority shareholders. It is designed to enable fair, objective and transparent fare adjustments. We seek to address the public's concern about the affordability of our services by providing different on-going and fixed term promotions and concessions to targeted groups of customers.

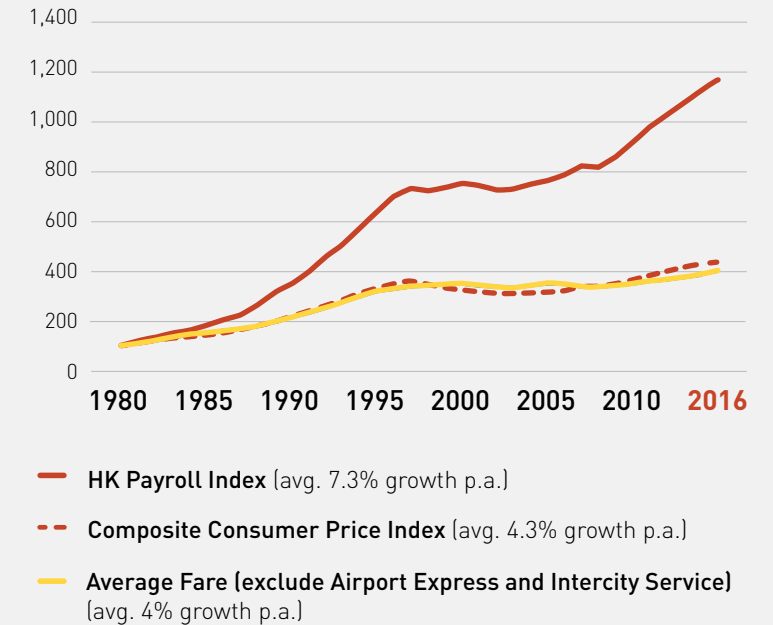
DID YOU KNOW?

Under the FAM, between 2008 and 2016, our fares have increased at a rate much lower than both average annual consumer price inflation and the average annual increase of salaries.



- Average MTR fare increase
- Average annual increase price inflation (as recorded by the Composite Consumer Price Index)
- Average annual increase in salary (as measured by the Hong Kong Payroll Index)

This chart shows that adjustments to our fares have been in line with long-term consumer price changes and consistently lagged behind wage growth in Hong Kong.



MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Introduction

Fares for Hong Kong Transport Operations

Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

Mainland of China and International Business

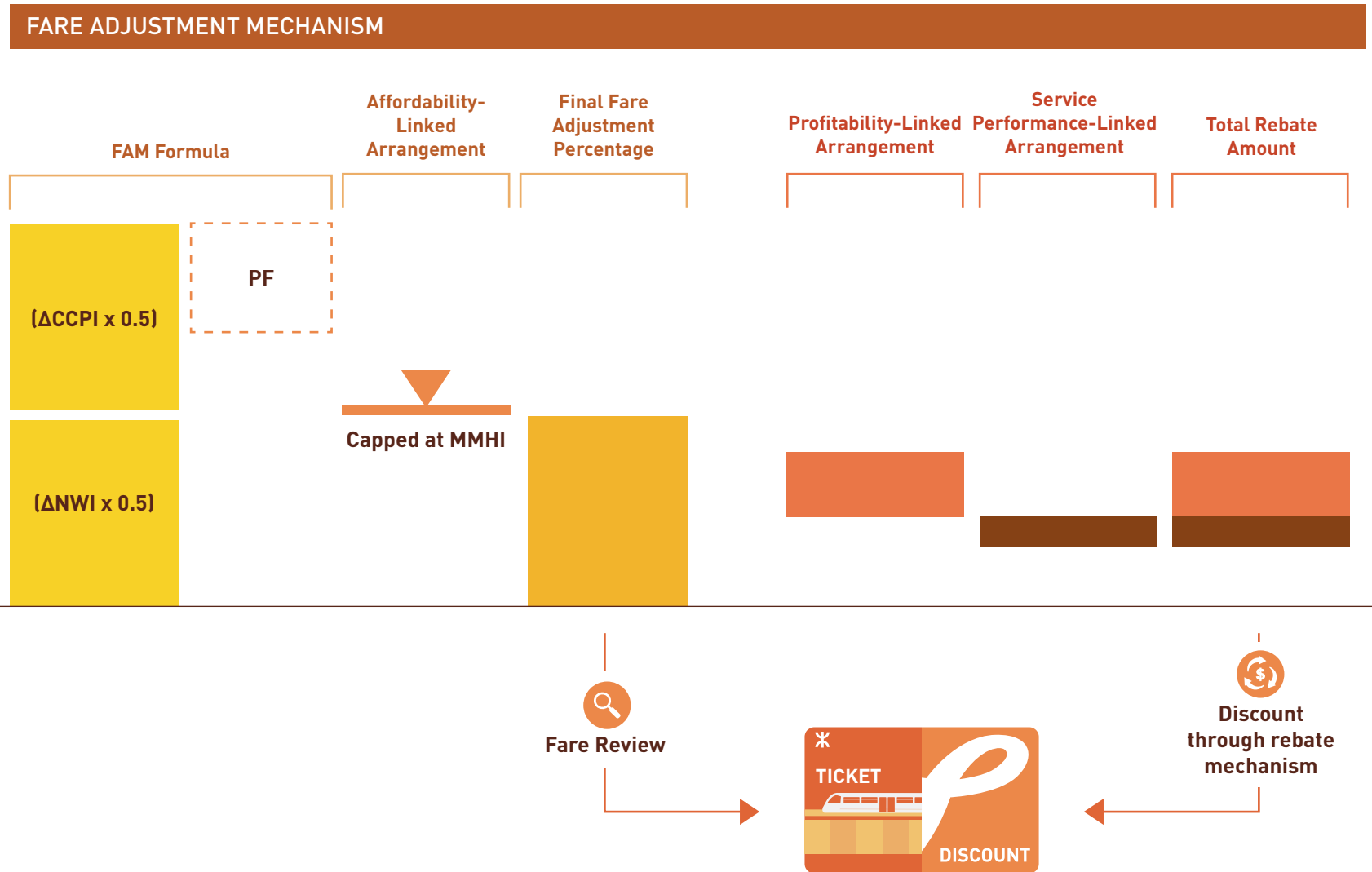
Performance Metrics

Fare Adjustment Mechanism

FAM formula

The FAM is based on an objective, transparent and direct drive formula that allows us to set fares according to the economic situation, with a measure of predictability, and to balance our financial obligations to shareholders

while addressing the community's expectations. It is applicable to fares for our heavy rail, light rail, MTR buses, as well as fares charged for airport staff travelling on the Airport Express.



MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain



**Financial and
Economic
Performance**

Introduction

► Fares for Hong Kong Transport Operations

Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

There are several components in the FAM formula. The changes in Composite Consumer Price Index (CCPI) and Nominal Wage Index (Transportation Section) (WI), both of which are published by the Government's Census and Statistics Department, reflect the changes in our operating cost. With the introduction of the Productivity Factor (PF), customers can enjoy a share of the productivity gains of our business.

Review of the FAM

Under our Operating Agreement, the FAM is normally reviewed once every five years. The first review was completed in 2013, resulting in revisions to the pre-set "Productivity Factor" and the introduction of three factors:

- **Productivity factor:** In the five years from 2008 to 2012, after the MTR rail operations merger, a productivity gain of 1.2% was achieved. This was shared with our customers with the PF set at 0.6% in the first FAM review.
- **Affordability-linked Arrangement:** After the overall adjustment rate has been calculated, it is checked against, and capped at, the Median Monthly Household Income (MMHI) provided by the government for the 4th quarter of the preceding year. If the MMHI is 0 or negative, fares will be frozen. This arrangement provides fare relief during difficult economic times. When an affordability discount is offered, it will gradually be withdrawn over two years.
- **Service Performance-linked Arrangement:** For each train service disruption for more than 30 min attributable to equipment fault or human error, a pre-determined amount based on a sliding scale referencing the length of delay will be set aside to provide rebates to customers in the following year through a set mechanism.
- **Profitability-linked arrangement:** A pre-determined amount based on a sliding scale referencing the amount of profit generated by MTR's underlying business is set aside for profit-sharing discounts provided to customers through rebate mechanisms.

LEARN MORE...

Early Review of FAM in 2016/17

Under our Operating Agreement, the FAM is normally reviewed once every five years and the next scheduled review was due in 2017/18. After receiving a request from the government in March 2016, and based on a mutual agreement reached in April 2016, we advanced the forthcoming review by one year conducted jointly with the government. The result was released in March 2017.

Building on the foundation of the FAM formula, which remains unchanged, we will be implementing new arrangements which will benefit all passengers, while ensuring the financial sustainability of the Corporation to support safe, reliable and efficient railway services. We have also developed an attractive package that will benefit all passengers on all journeys.

Read more about the [result of the FAM review](#), which was conducted jointly by MTR and the Government FAM.

MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[Rail Plus Property Model](#)

[Green Bond](#)

[Corporate Governance](#)

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)

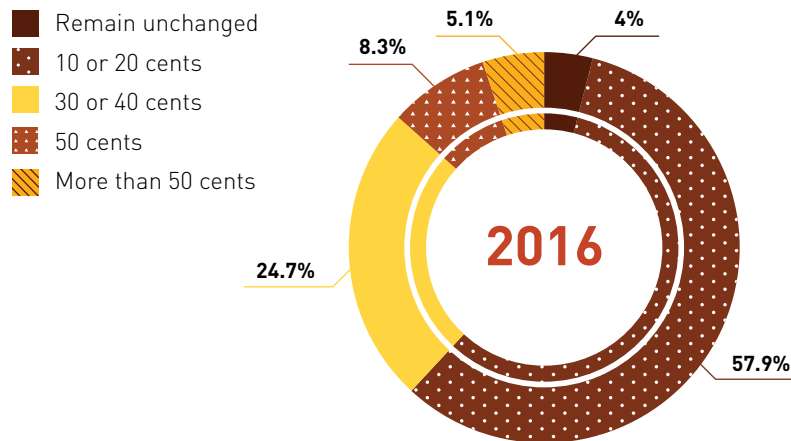
Fare adjustment in 2016

The latest fare adjustment came into effect in June 2016 with an Overall Fare Adjustment Rate of +2.65%, reflecting:

- a year-on-year increase in the Nominal Wage Index of 4.1%;
- a year-on-year change in Composite Consumer Price Index for December 2015 of 2.4%; and
- a Productivity Factor of 0.6%.

The 2016 adjustment is lower than the 3.33% year-on-year increase in the Median Monthly Household Income for the fourth quarter of 2015.

FARE INCREASE IN 2016 UNDER FAM



Concession and Discounts

On-going Fare Promotions and Concessions

We provided over \$2,500 million worth of ongoing fare concessions and promotions in 2016, to targeted groups which we believe would benefit most from a reduced fare. These include:

- Discounts for Elderly and Eligible Persons with Disabilities
- Student Travel Scheme
- Intermodal discounts

Fare concession schemes agreed under FAM

As part of the FAM review in 2013, we agreed to share our commercial success with passengers through schemes that give back a portion of our profits in the form of time-limited fare concessions.

The amount specified under the service performance- and profitability-linked arrangements were given to customers of our rail transport services through the 10% Same-Day Second Trip Discount in 2016.

Discounts in 2016

In 2016, we announced additional, enhanced or extended fare promotion packages worth over HK\$500 million. These are:

- **Promotion extension of the MTR City Saver** - For regular commuters making medium to long distance cross-harbour journeys within urban areas, they can enjoy an 11% to 25% discount on fares. This was extended for one year to 30 June 2017.
- **Fare Savers** - We have installed Fare Savers to encourage customers to travel on the MTR network. Simply by tapping their Adult Octopus over the reader, they can enjoy a standardised offer of \$2 off their next MTR ride.

LEARN MORE...

Find out where the [Fare Savers](#) are.

MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain



**Financial and
Economic
Performance**

Introduction

► Fares for Hong Kong Transport Operations

Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

- **Promotion extension of the Early Bird Discount** - If commuters exit gates between 7:15am and 8:15am, they can receive a 25% fare discount. The offer applies to adult passengers on ordinary weekdays at 35 designated stations. It was extended for one year to 31 May 2017.
- **Designated Saturday Offer** - From November 2016 to March 2017, on the first Saturday of each month, Adult Octopus holders enjoy concessionary fares equal to Child Octopus fares while other concessionary Octopus holders pay \$1 per domestic journey.

Other discount schemes in 2016 included Monthly Pass Extra and Day Pass. We also offered free travel for elderly and disabled passengers in support of Senior Citizen's Day and the International Day of Disabled Persons, respectively.

LEARN MORE...

Please refer to our customer website for the latest information about [Tickets, Fares, Special Schemes, and Frequent User Passes](#)

MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Introduction

Fares for Hong Kong Transport Operations

▶ Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

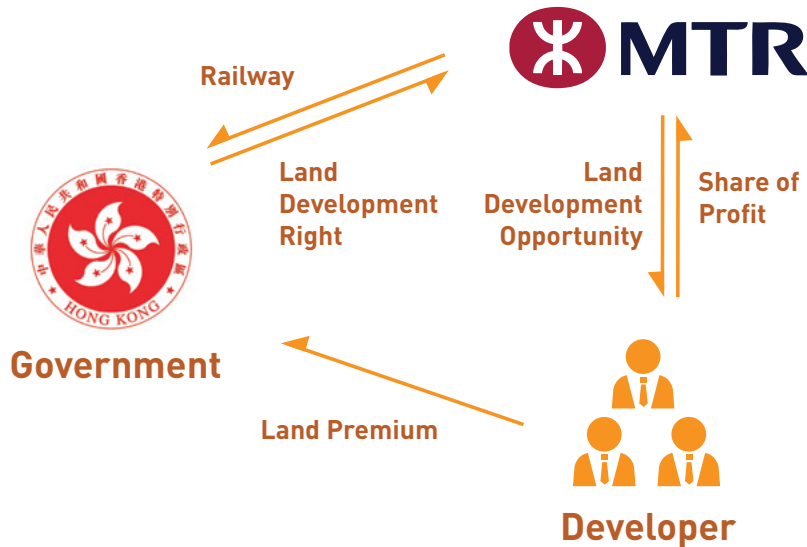
Mainland of China and International Business

Performance Metrics

RAIL PLUS PROPERTY MODEL

Our ability to provide a reliable world-class railway service is made possible through our Rail plus Property model. Established around 40 years ago for financing our first railway line, this model continues to be the foundation of our business in Hong Kong today. We are granted land development rights alongside railway alignments, upon payment of the relevant land premiums. We build integrated communities incorporating residences, offices, shops, schools, green spaces and other community facilities in association with our stations, depots and developments, with stakeholders benefitting from the additional value brought to the vicinity by the MTR system.

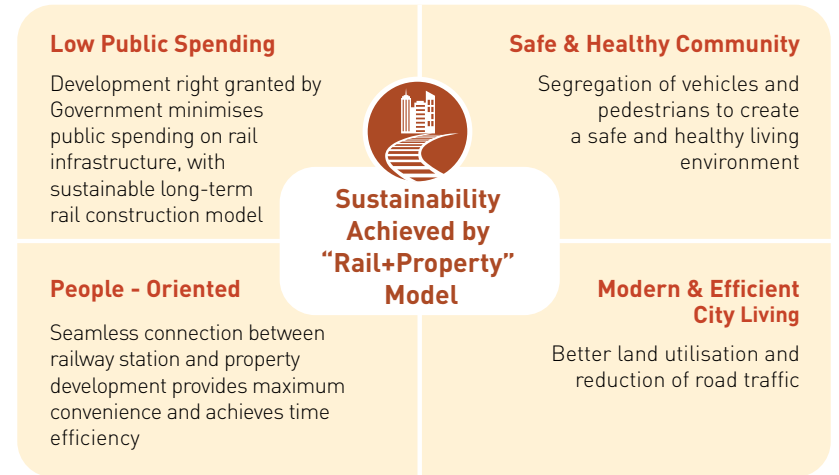
Rail plus property model



Note: This is a simplified model, only meant to illustrate and explain the general framework of the Rail plus Property Model. Actual implementation may vary.

In addition to providing resources for railway operations through income generated by Rail plus Property assets such as investment properties, the model helps to fill funding gaps when building new railway lines. The system also benefits local residents by providing convenient access to railway services and other facilities.

Summary of the sustainability benefits of rail plus property model in Hong Kong



MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[▶ Rail Plus Property Model](#)

[Green Bond](#)

[Corporate Governance](#)

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)

Transit-oriented Development

Transit-oriented development (TOD) is an initiative of the Government that has railway at its core. In accordance with this strategy, the framework for public transport in Hong Kong has set rail as the backbone. One key objective is to utilise Hong Kong's limited land resources in a prudent way by promoting development near railway stations. It also aims to facilitate efficient mass transportation of Hong Kong's population in an environmentally-friendly way and to make optimal use of land with railway facilities.

As a result of the Rail plus Property model, we have supported TOD at stations all over our network. This infographic illustrates a few examples of our success stories.



Examples of MTR's Rail plus Property Success Stories in Hong Kong

TELFORD GARDENS

DEVELOPMENTS ALONG THE TUNG CHUNG LINE

LOHAS PARK

TAI WAI STATION DEVELOPMENT

HO MAN TIN STATION DEVELOPMENT

REGENERATION OF WONG CHUK HANG

LEARN MORE...

Find out more about our new property developments in the [2017 and Beyond](#) section, or click [here](#) to access our corporate website for more information about property developments along our railway lines.

MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[▶ Rail Plus Property Model](#)

[Green Bond](#)

[Corporate Governance](#)

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)

Transit-oriented Development

Transit-oriented development (TOD) is an initiative of the Government that has railway at its core. In accordance with this strategy, the framework for public transport in Hong Kong has set rail as the backbone. One key objective is to utilise Hong Kong's limited land resources in a prudent way by promoting development near railway stations. It also aims to facilitate efficient mass transportation of Hong Kong's population in an environmentally-friendly way and to make optimal use of land with railway facilities.

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Examples of MTR's Rail plus Property Success Stories in Hong Kong

TELFORD GARDENS

One of the earliest examples of how TOD has succeeded is the Kowloon Bay Station and Depot on the Kwun Tong Line. Completed in the early 1980s, it comprises residential towers with a regional shopping mall and several open spaces well connected to the station.

DEVELOPMENTS ALONG THE TUNG CHUNG LINE

LOHAS PARK

TAI WAI STATION DEVELOPMENT

HO MAN TIN STATION DEVELOPMENT

REGENERATION OF WONG CHUK HANG

LEARN MORE...

Find out more about our new property developments in the [2017 and Beyond](#) section, or click [here](#) to access our corporate website for more information about property developments along our railway lines.

MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Introduction

Fares for Hong Kong Transport Operations

▶ Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Transit-oriented Development

Transit-oriented development (TOD) is an initiative of the Government that has railway at its core. In accordance with this strategy, the framework for public transport in Hong Kong has set rail as the backbone. One key objective is to utilise Hong Kong's limited land resources in a prudent way by promoting development near railway stations. It also aims to facilitate efficient mass transportation of Hong Kong's population in an environmentally-friendly way and to make optimal use of land with railway facilities.

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TELFORD GARDENS

DEVELOPMENTS ALONG THE TUNG CHUNG LINE

The International Finance Centre above Hong Kong Station has expanded Hong Kong's Central Business District by adding world-class Grade A office space. On the other side of the harbour, the International Commerce Centre in West Kowloon – previously an inconvenient area to travel to – is now only a ten-minute journey from Central via the Tung Chung and Airport Express lines. Maritime Square and Tierra Verde have become new focal points in Tsing Yi after their completion, and the new railway line has enabled the development of various residential properties in Tung Chung by providing convenient links to the city centre. These have helped support the continuing economic development and growth of Hong Kong.

LOHAS PARK

TAI WAI STATION DEVELOPMENT

HO MAN TIN STATION DEVELOPMENT

REGENERATION OF WONG CHUK HANG

MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[▶ Rail Plus Property Model](#)

[Green Bond](#)

[Corporate Governance](#)

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)

Transit-oriented Development

Transit-oriented development (TOD) is an initiative of the Government that has railway at its core. In accordance with this strategy, the framework for public transport in Hong Kong has set rail as the backbone. One key objective is to utilise Hong Kong's limited land resources in a prudent way by promoting development near railway stations. It also aims to facilitate efficient mass transportation of Hong Kong's population in an environmentally-friendly way and to make optimal use of land with railway facilities.

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Examples of MTR's Rail plus Property Success Stories in Hong Kong

TELFORD GARDENS

DEVELOPMENTS ALONG THE TUNG CHUNG LINE

LOHAS PARK

As one of our biggest developments to date, LOHAS Park is being developed as a comprehensively planned and integrated community. The station itself, which opened in 2009, serves as the principal transport hub for the area, connecting approximately 68,000 residents via a network of covered walkways. In 2016, we awarded an additional tender for the development's further expansion.

TAI WAI STATION DEVELOPMENT

HO MAN TIN STATION DEVELOPMENT

REGENERATION OF WONG CHUK HANG

LEARN MORE...

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MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Introduction

Fares for Hong Kong Transport Operations

▶ Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Transit-oriented Development

Transit-oriented development (TOD) is an initiative of the Government that has railway at its core. In accordance with this strategy, the framework for public transport in Hong Kong has set rail as the backbone. One key objective is to utilise Hong Kong's limited land resources in a prudent way by promoting development near railway stations. It also aims to facilitate efficient mass transportation of Hong Kong's population in an environmentally-friendly way and to make optimal use of land with railway facilities.

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TELFORD GARDENS

DEVELOPMENTS ALONG THE TUNG CHUNG LINE

LOHAS PARK

TAI WAI STATION DEVELOPMENT

As the interchange station for the East Rail Line and the Ma On Shan Line, Tai Wai Station is expected to serve as the main transport hub of the district. The future integration of the station, public transport interchange, retail and residential spaces, as well as, a post-secondary college will provide a good example of a sustainable TOD concept.

HO MAN TIN STATION DEVELOPMENT

REGENERATION OF WONG CHUK HANG

LEARN MORE...

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MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Introduction

Fares for Hong Kong Transport Operations

▶ Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Transit-oriented Development

Transit-oriented development (TOD) is an initiative of the Government that has railway at its core. In accordance with this strategy, the framework for public transport in Hong Kong has set rail as the backbone. One key objective is to utilise Hong Kong's limited land resources in a prudent way by promoting development near railway stations. It also aims to facilitate efficient mass transportation of Hong Kong's population in an environmentally-friendly way and to make optimal use of land with railway facilities.

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TELFORD GARDENS

DEVELOPMENTS ALONG THE TUNG CHUNG LINE

LOHAS PARK

TAI WAI STATION DEVELOPMENT

HO MAN TIN STATION DEVELOPMENT

Ho Man Tin and Whampoa Stations are the newest addition to the Kwun Tong Line, the first MTR line in Hong Kong. Ho Man Tin Station is the largest station in the MTR network. Supported by footbridges linking nearby housing estates to the station, it will also be the interchange station to the future Shatin to Central Link. New property developments above the Ho Man Tin Station will add about 1,400 to 1,800 residential units in phases, bringing new energy to the area.

REGENERATION OF WONG CHUK HANG

LEARN MORE...

Find out more about our new property developments in the [2017 and Beyond](#) section, or click [here](#) to access our corporate website for more information about property developments along our railway lines.

MENU

Introduction

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Introduction

Fares for Hong Kong Transport Operations

▶ Rail Plus Property Model

Green Bond

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Transit-oriented Development

Transit-oriented development (TOD) is an initiative of the Government that has railway at its core. In accordance with this strategy, the framework for public transport in Hong Kong has set rail as the backbone. One key objective is to utilise Hong Kong's limited land resources in a prudent way by promoting development near railway stations. It also aims to facilitate efficient mass transportation of Hong Kong's population in an environmentally-friendly way and to make optimal use of land with railway facilities.

As a result of the Rail plus Property model, we have supported TOD at stations all over our network. This infographic illustrates a few examples of our success stories.



Examples of MTR's Rail plus Property Success Stories in Hong Kong

TELFORD GARDENS

DEVELOPMENTS ALONG THE TUNG CHUNG LINE

LOHAS PARK

TAI WAI STATION DEVELOPMENT

HO MAN TIN STATION DEVELOPMENT

REGENERATION OF WONG CHUK HANG

Our planned large-scale development at Wong Chuk Hang will act as a catalyst to enhance the transformation of the Southern District. It will create a focal point providing convenience and vitality to the community while promoting tourism in the area. Our master plan for the former public housing estate accommodates a station; a rail depot; Government, Institution and Community facilities; retail property of 47,000 square metres, and about 4,700 residential units.

LEARN MORE...

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MENU

[Introduction](#)[Chairman's Message](#)[CEO Letter](#)[Safety](#)[Customers](#)[Community](#)[Environment](#)[Staff](#)[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)[Fares for Hong Kong Transport
Operations](#)[▶ Rail Plus Property Model](#)[Green Bond](#)[Corporate Governance](#)[Building Our Future](#)[Mainland of China and
International Business](#)[Performance Metrics](#)

Looking Beyond Hong Kong

We believe that the Rail plus Property model can be adopted in other cities around the world to suit different market conditions. For example, our own development on top of Shenzhen Longhua Line Depot, Tiara, has received a positive from the market. The first batch of units in the low-rise buildings on top of the depot were handed over to buyers in December 2016, and the high-rise units are on schedule to hand over by mid-2017.

We are exploring other opportunities in the Mainland of China, in Tianjin as well as in Beijing. In November 2016, we signed a Cooperation Framework Agreement with Beijing Infrastructure Investment Corporation Limited (BIIC) and Beijing MTR Corporation Limited (BJMTR), to jointly conduct preliminary studies on the integrated development of selected existing station and depot sites along Beijing Metro Line 4 and the Daxing Line. Studies have commenced with a focus on an above depot development. We have also signed a Memorandum of Understanding with BIIC in January 2017 to extend the strategic cooperation to other predominantly rail-related property development projects in Beijing.

MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)



Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[Rail Plus Property Model](#)

► [Green Bond](#)

Corporate Governance

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)

GREEN BOND

To integrate MTR's environmental, social and corporate governance into its financing and decision-making process, we decided to issue a Green Bond and, in October 2016, established our Green Bond Framework, which is in line with the core components of the Green Bond Principles set out by the International Capital Market Association, to guide our future issuance.

The Green Bond helps us diversify and tap into a new and fast-growing bond investor base. It provides the same cost effective financing as a traditional bond for our environmentally friendly service and network enhancements envisaged in Rail Gen 2.0. The Green Bond also helps promote the local green bond market in line with the Hong Kong Government's Climate Action Plan 2030+, which supports the Financial Services Development Council's recommendations to establish "Hong Kong as a regional green finance hub".

LEARN MORE...

Following the Paris Agreement, the HKSAR Environment Bureau launched the [Hong Kong Climate Action Plan 2030+](#) in January 2017. The report sets out Hong Kong's new carbon emissions reduction target for 2030 – which is equivalent to 36% absolute reduction by 2030 using 2005 as baseline – and the concerted plans for meeting it.

The Plan also supports the recommendations from the Hong Kong Financial Services Development Council to develop Hong Kong into a regional leader in green finance. This would play a significant role during the transition from a "brown" to "green" economy. Find out more about the Council's recommendations from its [report in May 2016](#).

Inaugural Green Bond Issuance

We issued our debut US\$600 million 10-year Green Bond in November 2016. Launched in late October at US\$500 million, the issue met with strong interest from institutional investors from across Asia and Europe, many of whom are dedicated green bond investors. This resulted in an order book in excess of US\$1.4 billion, allowing the deal to be upsized to US\$600 million and priced at 80 basis points, at the tight end of the indicated price range, over the benchmark 10-year US Treasury yield of 1.737% p.a. for an overall yield of 2.537% p.a. The bond was awarded "Best Green Bond" deal in the "FinanceAsia Achievement Awards 2016".

Issuance Details

Issuer:	MTR Corporation (C.I.) Limited
Guarantor:	MTR Corporation Limited
Nominal Principal Amount:	US \$600 million
Issue Price:	99.675%
Net Proceeds:	US \$598.05 million
Pricing Date:	24 October 2016
Issue Date:	2 November 2016
Maturity Date:	2 November 2026
Coupon:	2.50% per annum payable semi-annually in arrears
ISIN Code:	XS1509084775
Listing:	Hong Kong Stock Exchange

MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[Rail Plus Property Model](#)

[Green Bond](#)

[Corporate Governance](#)

[Building Our Future](#)

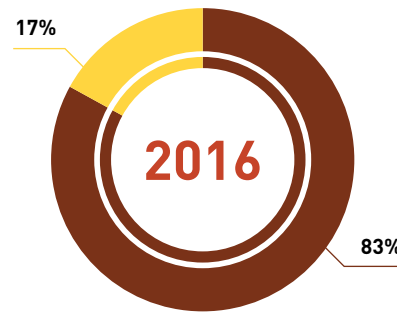
[Mainland of China and International Business](#)

[Performance Metrics](#)

ALLOCATIONS & DISTRIBUTION STATISTICS

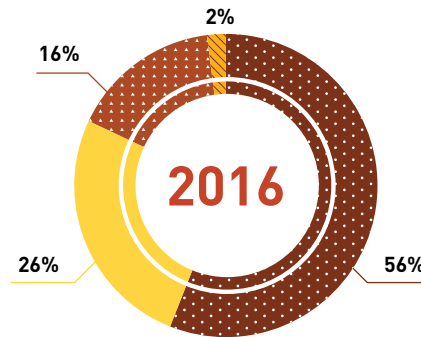
By Geography

- Asia
- Europe



By Investor Type

- Asset Manager
- Bank
- Insurance
- Other/PB



DID YOU KNOW?

Green Bond Indices

MTR's first green bond has been included in the following green bond indices:

- Barclays MSCI Green Bond Index
- BofA Merrill Lynch Green Bond Index
- Solactive Green Bond Index
- S&P Green Bond Index

MTR Green Bond Framework

Our [Corporate Responsibility Policy and Framework](#) specifies our broad environmental objectives. The MTR Green Bond Framework was developed to provide guidance specifically on the issuance, use of proceeds and reporting of the Green Bond.

MTR Green Bond Framework

- Established in October 2016
- Proceeds of MTR Green Bonds will be used to fund or refinance, in whole or in part, Eligible Investments
- Proceeds of MTR Green Bonds may be used to repay borrowings under MTR's general credit facilities pending allocation to Eligible Investments
- Eligible Investments include projects in the following sectors:
 - » Low Carbon Transportation
 - » Energy Efficiency
 - » Sustainable Transit Stations and Real Estate Properties
 - » Adaptation to Climate Change
 - » Biodiversity and Conservation
 - » Water Management
 - » Waste Management
 - » Pollution Prevention

LEARN MORE...

Download the [MTR Green Bond Framework](#)

MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[Rail Plus Property Model](#)

▶ [Green Bond](#)

[Corporate Governance](#)

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)

Alignment with Green Bond Principles

MTR's Green Bond Framework aligns with the Green Bond Principles (GBP) of the International Capital Market Association.

The GBP, updated as of June 2016, are voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond.

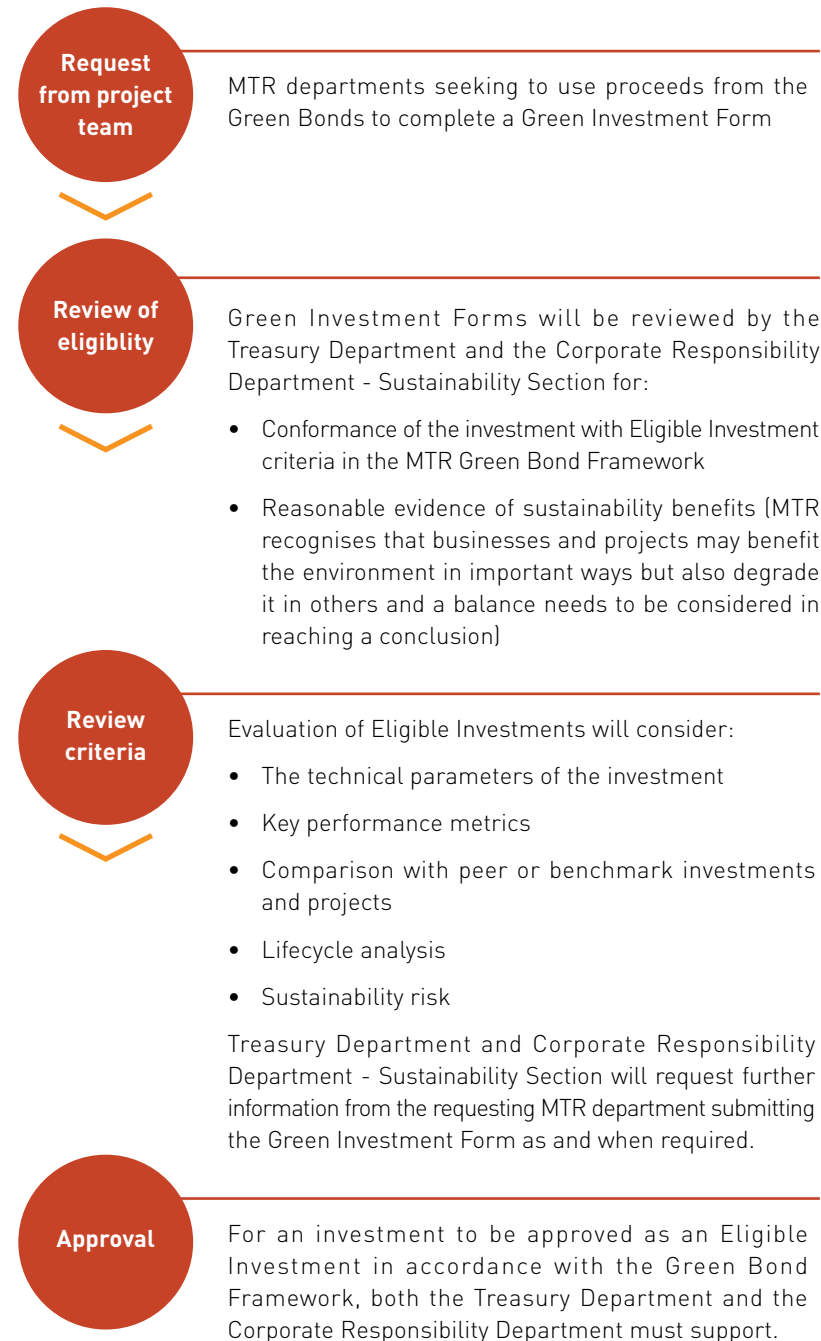
LEARN MORE...

Framework Overview and Second Opinion

[Sustainalytics](#) has [provided a second opinion](#) on MTR's Green Bond Framework, and has determined that it aligns with the four pillars of the GBP and is credible and robust.

Process for identification and determination of eligibility of use of proceeds

Potential uses of proceeds of MTR Green Bonds will be reviewed and earmarked in accordance with the following process:



MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)



Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[Rail Plus Property Model](#)

▶ [Green Bond](#)

Corporate Governance

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)

Use of Proceeds and Green Bond Project Update

The net proceeds from the Green Bond have been fully earmarked against capital expenditure spending under two major projects as summarised below. Updates on each of these projects can be found on the next two pages.

Investment	Amount Earmarked	Category
Kwun Tong Line Extension	US\$167.74 million	Low Carbon Transportation
South Island Line (East)	US\$430.31 million	Low Carbon Transportation Energy Efficiency
Total	US\$598.05 million	
Balance of earmarked proceeds:	Nil	

LEARN MORE...

Assurance for MTR Green Bond

Deloitte has provided an [assurance report](#) on the earmarking of proceeds and selected environmental KPIs of MTR's debut Green Bond.

MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[Rail Plus Property Model](#)

▶ [Green Bond](#)

Corporate Governance

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)

Green Bond Project Update

Name of Investment 1	Kwun Tong Line Extension
Total Investment Amount	HK\$6.9 billion
Investment Amount Funded by Green Bond	HK\$1.3 billion (US\$167.74 million)
Category of Eligible Investment	Low Carbon Transportation
Description of Investment	<p>On 17th May 2011, the Company entered into a project agreement with the Hong Kong SAR Government for the financing, design, construction and operation of the Kwun Tong Line Extension. This 2.6-kilometre Kwun Tong Line Extension commenced service on 23rd October 2016 and is an extension of the existing Kwun Tong Line from Yau Ma Tei Station to Whampoa Station with one intermediate station at Ho Man Tin.</p> <p>With the completion of the Kwun Tong Line Extension, Whampoa Station is now the terminus of Kwun Tong Line, while Ho Man Tin Station will be an interchange station for the Shatin to Central Link currently under construction.</p> <p>With the extended MTR Kwun Tong Line, it takes only about 5 minutes to travel between Whampoa and Yau Ma Tei stations, which would otherwise take about 15 to 20 minutes using other public road transport. The new MTR extension is expected to significantly alleviate road traffic congestion in the areas of Ho Man Tin and Whampoa.</p>
Beneficial Environmental Impact Estimate	<ol style="list-style-type: none"> 1) 19,000 tons of CO₂ emissions avoided per year 2) Other beneficial impacts: <p>Reduction of road traffic and congestion leads to lower environmental impacts from ground vehicles such as roadside air pollution. The Hong Kong Government has identified poor roadside air quality and worsening congestion as one of the reasons for air quality challenges in Hong Kong, including impacts on public health</p> 3) In all our new underground stations including those along this extension, we have implemented initiatives such as regenerative braking, full platform screen doors and efficient chiller equipment, which have energy saving and pollution reduction features

MENU

[Introduction](#)

[Chairman's Message](#)

[CEO Letter](#)

[Safety](#)

[Customers](#)

[Community](#)

[Environment](#)

[Staff](#)

[Supply Chain](#)

Financial and Economic Performance

[Introduction](#)

[Fares for Hong Kong Transport Operations](#)

[Rail Plus Property Model](#)

► [Green Bond](#)

[Corporate Governance](#)

[Building Our Future](#)

[Mainland of China and International Business](#)

[Performance Metrics](#)

Name of Investment 2	South Island Line (East)
Total Investment Amount	HK\$17.2 billion
Investment Amount Funded by Green Bond	HK\$3.3 billion (US\$430.31 million)
Category of Eligible Investment	Low Carbon Transportation and Energy Efficiency
Description of Investment	<p>On 17th May 2011, the Company entered into a project agreement with the Hong Kong SAR Government for the financing, design, construction and operation of the South Island Line (East). Construction commenced immediately thereafter. The 7-kilometre South Island Line (East) commenced service on 28 December 2016 and is a medium-capacity metro line connecting the current MTR network from Admiralty Station to the Southern District of Hong Kong via new stations at Ocean Park, Wong Chuk Hang, Lei Tung and South Horizons. This new line is designed with features responding to the transport needs of the community. It will also promote tourism and economic activities in the Southern District.</p> <p>It takes about 4 minutes to ride between Admiralty and Ocean Park stations and 11 minutes between Admiralty and South Horizons stations. The South Island Line (East) is expected to significantly alleviate road traffic congestion in the Aberdeen Tunnel.</p>
Beneficial Environmental Impact Estimate	<ol style="list-style-type: none"> 1) 18,900 tons of CO₂ emissions avoided per year 2) 629,600 kWh of electricity saved with the regenerative braking and trackside energy storage system annually(Note 1) 3) Initiatives such as upgrading and extending noise barriers in selected areas to accommodating special needs of the neighbourhood, green roof and wall design, as well as providing green open space in Kellett Bay for the public, have also been implemented 4) Other beneficial impacts: <p>Reduction of road traffic and congestion leads to lower environmental impacts from ground vehicles such as roadside air pollution. The Hong Kong Government has identified poor roadside air quality and worsening congestion as one of the reasons for the air quality challenges in Hong Kong, including the public health of its residents</p>

Note 1: Annual savings projected based on on-site measurement during Q1 2017.