

THE CITY UNLIMITED

Sustainability Report 2016
Summary Report



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THE CITY UNLIMITED

Our city is full of possibilities: chance encounters that become life-long friendships, social meetings that strengthen our communities, educational opportunities that lead to successful careers. What does it take to make these possibilities realities?

In Hong Kong, MTR has connected all 18 districts bringing our customers closer to their families and friends, their workplaces, their schools and places where they like to hang out. Whether they are building relationships, enhancing their knowledge or simply exploring the city, MTR connects them with our safe and reliable service.

MTR enables our customers to seize the city's unlimited possibilities and unleash their potential, one smooth ride at a time.

MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM



ABOUT THIS REPORT

This year we continue to report in two different but complementary ways to provide information to our stakeholders:

1. This [Summary Report](#) features stories from our stakeholders of places that are important to them – places that they are connected to by the MTR. There are behind-the-scenes highlights to show how we make these connections possible. To us, our mission is to connect and grow communities with caring services, in a responsible and sustainable manner.
2. The [dedicated report microsite](#) and [interactive PDF](#) provide full details about our management approaches, programmes and key performance indicators (KPIs) across a wide range of issues. You can also find additional topics, such as information about our business plans for the future.

ABOUT US

MTR CORPORATION



● Property and Other Businesses

We work with leading property developers to build properties above or near our stations. We also manage a portfolio of residential properties, office space and commercial space. Other businesses include rail-related consultancy, the Ngong Ping 360 cable car and associated theme village, and the Octopus card payments system.

● Hong Kong Station Commercial Business

To make the most of our railway assets, we operate related businesses such as the leasing of station retail space, advertising in trains and stations, and fixed and mobile telecommunications systems.

● Hong Kong Transport Operations

We operate an urban mass transit railway system with 11 heavy rail lines and a Light Rail system. The heavy rail network comprises domestic and cross-boundary services and a dedicated Airport Express link. We also provide intercity services to and from the Mainland of China as well as a small feeder bus service in Hong Kong.

● Hong Kong Network Expansion

We manage the design and construction of new railway extensions along with a multitude of other projects each year to upgrade and improve the operating railway network. The Kwun Tong Line Extension and South Island Line (East) were completed in 2016 and the Island Line Extension to the Western District was completed in 2014. Two other projects, the Shatin to Central Link and the Express Rail Link, are still under construction. Together these five projects will increase the route length of our network in Hong Kong by 25 per cent.

● Mainland of China and International Business

Our subsidiaries and associates build, operate and maintain railway systems and provide related services in the Mainland of China, the United Kingdom, Sweden and Australia. In the Mainland of China, we are also involved in leasing retail space, providing estate management services and developing properties.



Professor Frederick Ma Si-hang became MTR's Chairman last year. One-year in, we review some of his reflections on the progress of and future opportunities for MTR.

MTR's most significant accomplishments last year...

I've really enjoyed my time at MTR thus far. It is clear to me that the company understands that in order to be successful over the long-term, we need to address the present while keeping an eye on what's important down the track. From everything I've witnessed this past year, this is what we have been doing, specifically by creating and adding value to Hong Kong's economy.

What do I mean by this? MTR creates economic value two ways: in financial terms, i.e. in the form of revenue generated from both within and outside of Hong Kong distributed throughout the city's economy; and in operational terms, i.e. in the form of positive benefits on the economy which are generated as a result of our operations.

In financial terms, the economic value we create by operating our rail and property businesses is shared broadly with Hong Kong: with our employees in the form of wages, salaries and benefits, with our suppliers and contractors through products and services we procure, with the government in the form of income and taxes, and with our shareholders in the form of payment of dividends, noting of course our largest shareholder is the Hong Kong SAR government.

In operational terms, the value that MTR creates, particularly through our rail operations, is derived from the safety, efficiency, ease and environmental effectiveness of our operations, which connects Hong Kong through the delivery of world class service to our customers – which is what we as a company work together to deliver every day.

Our focus in the future...

Our goal should always be to manage the challenges of the present while investing for the future. In this sense, we are investing in various ways to help enhance the future of MTR.

We've begun our transition to Rail Gen 2.0 by the successful opening of two new lines: the Kwun Tong Line Extension and the South Island Line (East); we are improving the accessibility and facilities of our stations; we are improving the energy and cost efficiency of our infrastructure; we are refurbishing our existing trains; we are upgrading our signaling systems. These investments will allow us to maintain our safety record and continue to improve the comfort and efficiency of our services.

These investments are significant in size and important to the long term success of MTR. They require us to think carefully about the long term impacts of our investments and how these will help MTR meet the needs of our customers far into the future. Decisions on these investments also often involve tradeoffs amongst competing demands. We do our best to communicate this fact to the community, because we cannot always satisfy everyone's wishes, and our ability to make these investment is predicated on a sustainable income flow made possible by the Fare Adjustment Mechanism (FAM).

We continue to engage our stakeholders...

It is very important that MTR continues to listen to our stakeholders and respond as best we can. The feedback from our customers, the engagement and liaison works we carry out as we plan and construct new lines, our dialogue with civil society - these and other programmes help us maintain contact with our stakeholders and identify what their priorities are. We work to hear their concerns and make decisions on the necessary improvements to continue to meet their needs and aspirations.

Opportunities ahead of us...

At its core, everything that MTR does is related to its purpose: serving the public now and long into the future. The best opportunities are where MTR can grow, improve and help Hong Kong unleash its potential towards a more prosperous and thriving future.

In addition to the two railway projects currently being developed, the Government's Railway Development Strategy 2014 has also identified new projects which will help further connect Hong Kong. We are carrying out the technical studies and preparing the project proposals on the first three of these new projects.

Outside of Hong Kong we are targeting opportunities in the Mainland China, Europe and Australia. Our international work allows us to seek growth markets, ensure we stay globally competitive and translate these back into Hong Kong.

In the many areas highlighted throughout this report, MTR is working to better the future. I'm honored to serve as the Chairman of this company and look forward to the many achievements that we will achieve together in 2017 and beyond.



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.

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

MY JOURNEY TO THE UNIVERSITY OF HONG KONG

NAME: ISAAC WONG
OCCUPATION: SURVEYOR
STATION: HKU



'I KNOW THEY HAVE HIGH EXPECTATIONS SINCE I'M THE FIRST IN THE FAMILY TO GO TO UNIVERSITY.'



Walking down the Sun Yat-sen Steps, Isaac sits on the bench next to the Knowles Building at HKU. He used to rush past this spot every day. Isaac has since graduated and is now working as a surveyor.

Isaac was born into a fisherman family, and grew up in Tuen Mun. "My mother grew up on a fishing boat. As the eldest child, she quit school and worked to support the education of her four siblings. When I told my family that I was accepted into HKU, they were over the moon! My dad even hosted a dinner to celebrate!" he said. "Even though my family doesn't put pressure on me, I know they have high expectations since I'm the first in the family to go to university. I have a good job now and I hope I can take care of them."

University life broadened Isaac's horizons and social circle. "I once thought going to university is similar to secondary school, except the campus was further away. I never thought that university life would be so free! My friends and I often met for dinner in Soho, or we had beers by the sea in Kennedy Town. One of the most memorable moments was when we played poker in the Surveying Studio, we were afraid that our professors would see us!" Isaac made life-long friendships, "I'm still in contact with many of them; we support each other even during our working life. I believe that we'll be friends for life!"

Independence was an important lesson for Isaac. "I had more responsibilities once I became a university student. Before the West Island Line opened, I once had a morning appointment with my professor, but I woke up late. I tried to take a taxi to the city, but couldn't catch one. When I finally arrived, my appointment time had passed." He laughed, "Now my office is in Shau Kei Wan. The journey is even longer and I take the MTR regularly. It's easier to estimate the travelling time. I can't be late for work!"



MAKING THE JOURNEY POSSIBLE



ANGUS LEE

HEAD OF INTELLIGENT
PORTFOLIO OFFICE

ANGUS LEADS THE TEAM THAT
REVIEWS NEW RAIL PROJECTS AND
PROVIDES ADVICE ON LONG-TERM
ASSET PLANNING.

I studied at HKU too and I lived quite far away, so I know how long the commute was for Isaac. The Island Line extension to Western District was a new section, but Island line itself is already 31 years old, so maintaining the system is important to make sure that it performs consistently. We work hard to make sure that the trains run frequently and that they're also reliable. During peak hours, the train comes every two minutes on some lines. So Isaac doesn't have to worry about missing his bus or finding a taxi, nor the rush hour traffic.

Our railways are maturing and many of our assets need to be upgraded and replaced as we expand our network to meet increasing demand from Hong Kong's growing

population. We use these opportunities to assess new technologies and deploy the right ones to improve service performance and customer experience.

During asset replacement and upgrades, the quality of the goods and services that our suppliers provide impact what we deliver to our customers. So, we collaborate closely with them to ensure they meet our design and manufacturing standards. For example, when purchasing our new trains, we set up a joint project office at the manufacturing base with MTR staff stationed there. This helped the manufacturer meet our strict specifications and achieve our performance expectations. Our aim is to improve performance and reduce the replacement, maintenance, and operational costs of our assets over the long run. We also have a clear overarching goal that guides and empowers our experts to deliver our shared targets.

A railway is built to stand the test of time. Every decision that we make is carefully considered. We recently reviewed our design standards to outline a prudent approach to adopting technology. While we observe trends, we require that any technology we use is dependable, available on the market, and fit for purpose. We don't aim to use the most eye-catching, or the most expensive pieces, but strive to be practical in our choices. Our holistic approach balances the initial capital investments, and long term maintenance and operational costs, against environmental considerations such as future energy use and the needs of society during the whole lifecycle. Ultimately, we want to make the railway a sustainable business because our savings can be passed on to the passengers.

47.7%

OF FARE REVENUE EQUIVALENT
INVESTED IN RAILWAY MAINTENANCE,
REPLACEMENT AND UPGRADES IN
2016, WHICH AMOUNTED TO MORE
THAN HKD8 BILLION.

112 seconds

SHORTEST TRAIN HEADWAY
DURING RUSH HOUR.
OUR TRAINS RUN FREQUENTLY
TO SERVE THE LARGE
NUMBER OF CUSTOMERS.

MY JOURNEY TO LEI TUNG

NAME: KEITH CHU
OCCUPATION: TEACHER
STATION: LEI TUNG



'I'VE NEVER SEEN THE SOUTHERN DISTRICT FROM THIS ANGLE. IT'S VERY SPECIAL.'



"It's definitely a dream come true that the South Island Line ("SIL") is finally open!" Keith spends most of his time in the Southern District. He grew up in Wah Fu Estate, and now lives in South Horizons. He teaches mathematics at a secondary school in Lei Tung Estate.

"To be honest, I initially planned to keep taking the bus to work since the bus stop is right next to my home. Then I tried the MTR and found that the trains run frequently, I can leave home any time I want. So now, I take the MTR to work and back every day. I would even take the MTR to Mong Kok because it takes less than half an hour now!"

SIL brings Keith closer to the city and cuts his commute time. It also helps him access more lunch options. "In the past, we had to take a bus from Lei Tung to Ap Lei Chau Main Street. Now we can just walk through Lei Tung Station. I have lunch at the restaurants on Ap Lei Chau Main Street all the time now. My favorites are Mui Kee Soy Sauce Goose, and Leisure Corner, a restaurant run by a social enterprise. I guess these local restaurants are happy to have more customers from other districts."

The SIL's driverless trains are a lot of fun for passengers. "The driver cab is now a window. Kids often rush to the front and back windows to see the view. You can watch the train cruising on the elevated tracks. I've never seen the Southern District from this angle. It's very special." Keith walks by a mosaic in South Horizons Station every morning. "That mural captures the beauty of the Southern District as a fishing port. It shows the Aberdeen passenger junks, typhoon shelters, and Jumbo Kingdom. You can't find these things in other places!"

Although Keith moved out of Wah Fu Estate years ago, his neighbours are always on his mind. "I hope that MTR can connect Wah Fu Estate and other places in the Southern District soon so that other people can enjoy the convenience that I enjoy. Also, reducing road transport helps clean up the air. The most attractive thing about the Southern District is the beautiful environment and fresh air!"



MAKING THE JOURNEY POSSIBLE



JIMMY POON

CONSTRUCTION MANAGER

JIMMY WORKED ON THE SOUTH ISLAND LINE (EAST) ("SIL") PROJECT. HE IS VERY EXCITED ABOUT THE PROJECT FOR BOTH PROFESSIONAL AND PERSONAL REASONS.

Like Keith, I am a Southern District native too! I grew up in Wong Chuk Hang, I went to school there, and it is quite amazing for me to come back to develop the district where I grew up.

SIL links the Southern district to the city centre directly. Its launch brings more than convenience to residents here like Keith. On the one hand, it's now more convenient for them to go to work, school, and visit other areas in Hong Kong; on the other hand, it brings tourists to Ocean Park, retail outlets and even some small local restaurants. It will bring more life to the area.

SIL is the second line in Hong Kong that uses the Fully Automatic Operation System, the first one being the Disneyland Resort Line. Instead of drivers, the train is operated and controlled by our Operations Control Centre. This offers more flexibility in adjusting train frequency and manoeuvring without having drivers stand by. Thanks to this new function, we are better prepared for a surge in visitors to Ocean Park. Without the drivers cab, passengers can now enjoy the view from the two ends of the train. It seems that the front of the train is the customers' favourite as I've seen a lot of passengers like Keith take photos there. I'm glad the design provides a new way to see this part of Hong Kong.

We encountered some challenges when constructing Wong Chuk Hang Station. The station is elevated and part of it is above the nullah, so we needed to build a water stop inside the nullah to complete our foundation work there. The works inside the nullah could only be done over the approximate 6-month window during dry season; otherwise, we would have had to postpone the works to the next dry season. There was no Plan B! So, we monitored our progress daily during the project and if something was behind progress, we did our best to catch up. Luckily, we successfully completed the project on time.

I've worked on many new lines and from my experience once a line has been completed, people start moving in and living there, and a new community is built up. I am curious to see how my childhood home will change in a few years' time!

MY JOURNEY TO WHAMPOA

NAME: LONETTA YEUNG

OCCUPATION: STAY-AT-HOME MUM

STATION: WHAMPOA



Lonetta has lived in Hung Hom for 16 years. She usually goes to the lively Hung Hom Promenade where people dance and jog every night. Lonetta enjoys strolling there after dinner.

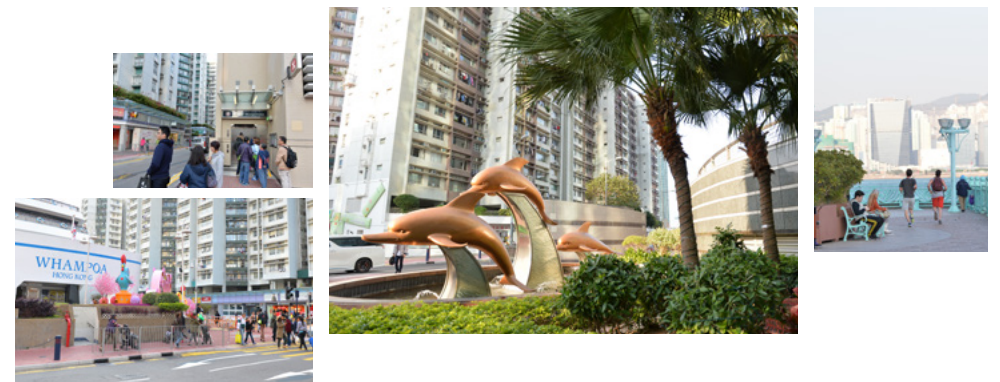
Lonetta grew up in Tsuen Wan and moved to Hung Hom after she got married. She is a stay-at-home mom – taking care of her kids, grocery shopping, preparing meals. In her spare time, she plays mahjong. “I don’t have to spend that much time taking care of my kids now that they’re older. My husband used to drive me because it takes so long to travel to the wet market in Yau Ma Tei or visit my mum in Tsuen Wan. Now with the Kwun Tong Line Extension (“KTE”), my husband can take a break! It’s easier to meet my friends who live further away!” Lonetta said with a smile.

Her children’s lives have also changed. “My daughter is still in school. Sometimes, she has class in Kwun Tong and sometimes in Tiu Keng Leng. My son shops for football jerseys and sneakers in Mong Kok with his friends all the time now. With the MTR, it’s so much more convenient for them to go to school and go out!”

During the KTE construction, the neighbours complained, “we can’t cross the road here; the walkway is too narrow there. It’s really not convenient.” The District Council regularly published reports on the progress but Lonetta hadn’t paid much attention. It only took a few years for the KTE to open. “I heard that the new station facilities are a bit different from the old ones. Since I’m already familiar with the system, I don’t need assistance from MTR staff. Before the opening of the line, my daughter told me that exit D1 is the closest to home. So I just have to remember it’s exit D1.”

Lonetta is going back to her old neighbourhood to meet her former classmates today. “Tsuen Wan felt so far from home in the past. I always kept postponing a gathering with my friends. Now, I can go visit them anytime!”

‘TSUEN WAN FELT SO FAR FROM HOME IN THE PAST. NOW, I CAN GO VISIT THEM ANYTIME!’



MAKING THE JOURNEY POSSIBLE



ALAN CHENG

HEAD OF OPERATING

ALAN OVERSAW THE OPENING OF
THE KWUN TONG LINE EXTENSION.

I joined MTR when it was established 39 years ago. Even though I've seen the opening of many lines, it's still as challenging as when we started! It takes a great deal of coordination across many departments and we do this through the Operations Readiness Working Group. This is established about one year before a line opens.

The Working Group meets more frequently as the opening day approaches, and we begin to meet daily about four months beforehand. Lonetta might have only seen the construction work above ground, a lot is going on underground too. We repeatedly test all the equipment to make sure that new lines are 100% ready on day one. We buy tickets, we use the gates, we ride the lift and escalators, and we run drills for any

incidents that we can imagine – we ensure that everything operates well, and is safe and durable for long term use.

We also train staff to provide extra guidance to customers. In KTE, every second train will terminate at Ho Man Tin. To deliver better services in the early stages of operations, we have additional station assistants at the platform in Ho Man Tin station to invite passengers going to Whampoa to wait for the next train.

Whampoa Station's platform is linked to two separate concourses. During inspections, we realised that we need to provide more directions to entrances, buildings or streets close to each concourse on the signage at platform level. This is not the standard practice in our other stations. I am happy that our work with the signage helped Lonetta quickly find exit D1.

For passengers who are not as familiar with Hung Hom as Lonetta, our staff is trained to answer questions about the neighbourhood such as the location of a post office or schools nearby. Whampoa has the new multi-purpose self-service points where passengers can buy Single Journey Tickets, City Saver and fix small problems with Octopus cards themselves. They can also speak to our staff for further assistance via real-time video chat.

I've been with MTR for a long time but my work is still interesting with new challenges such as when we adopt new technologies to better cater for the community's needs. I joined MTR to serve the community. We don't just run trains, we connect customers with what matters to them.

MY JOURNEY TO TSING YI PROMENADE

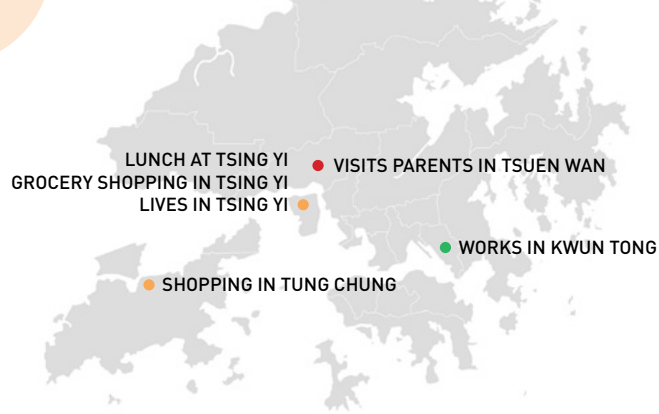
NAME: EMILY CHEUNG

OCCUPATION: ASSISTANT MANAGER

STATION: TSING YI



**'IT'S ALWAYS QUIET AND RELAXING HERE.
WE'LL BE HERE FOR MANY YEARS TO COME.'**



It's become a habit for Emily's family to go to Maritime Square for lunch and shopping on Sundays. Along the promenade next to the mall, Emily takes a stroll with her husband, and reminisces on the days when they first moved to Tsing Yi.

"We moved to Tsing Yi 20 years ago after we got married. I witnessed the changes over the years. There was only a bridge connecting Tsing Yi to the city then and we just had buses and minibuses. When my husband first suggested we move here, I was worried that my daily commute would take 3 hours. Also, if there was a typhoon and we missed our minibus, we wouldn't even be able to get home!"

Three years after moving, Emily became a proud mother. The Tung Chung Line opened the same year. "Maritime Square became a new go-to place for Tsing Yi residents: People could shop, watch movies and dine out without leaving the Island. It also became more convenient to get to Hong Kong Island and Tung Chung."

Maritime Square Phase II is now under construction. "We already have all the big brands, so I hope the new mall can bring in the creativity of young people and include some small shops supporting local skills and crafts. Also, I hope there will be more covered footbridges connecting the mall in the future, then we won't be affected by bad weather as much!"

The urban landscape of Tsing Yi is ever-changing, yet the pleasant and friendly community spirit has stayed the same. "If we don't have something we need at home, we can borrow it from our neighbours. I remember one time we were having hot pot and the gas stove suddenly broke. It didn't take long for one of our neighbours to lend us one."

Waves lap against the shore. Watching children running along the promenade, Emily smiles. "It's always quiet and relaxing here. We'll be here for many years to come."



MAKING THE JOURNEY POSSIBLE



SHARON LIU

CHIEF TOWN
PLANNING MANAGER

SHARON HAS BEEN INVOLVED IN
PLANNING MTR'S DEVELOPMENT
PROJECTS.

MTR doesn't only build railways but also builds communities. We are committed to providing convenience around Hong Kong through the MTR network, bringing people to work, school, home, and leisure activities. The property developments along our railway lines are models of transit-oriented development. The Tsing Yi Station project is an example on how MTR contributes to Hong Kong's cityscape, and Emily has witnessed the development first hand.

Traditionally, users focus on the hardware that a development would provide – the buildings, facilities, and amenities. As society flourishes, customers increasingly treasure lifestyle and living quality. This is why a comprehensive approach is important.

MTR is in an advantageous position in this regard, because as both a shopping centre and property manager, we enable developments to evolve as we continually respond to the changing needs of community.

We are working to transform the Tsing Yi Lorry Park into Maritime Square Phase II to better serve the community. Taking into account the aspirations from stakeholders, the lorry park and public transport interchange have been re-planned, giving rise to the opportunity of a brand new community focal point with shopping variety, a landscaped garden as an urban oasis, facilitated pedestrian connections to the MTR station, as well as a public transport terminus. This will further enhance the living environment in Tsing Yi and be an exciting addition to the community and residents like Emily.

We are very aware of our role and possible impacts that our projects would bring to the community. We therefore spend a great deal of effort in balancing stakeholders' differing and sometimes conflicting needs and wants. Through our property development projects, we wish to satisfy the lifestyle expectations of the public. It is always a joy to see the ideas and hard work of the team come into reality, while what we planned and built are being used and enjoyed by the community every day.

70%+

HK POPULATION THAT WILL LIVE
WITHIN A 10-MINUTE WALK FROM
THE MTR AFTER COMPLETION OF
THE PROJECTS UNDER RAIL GEN 2.0.

3%

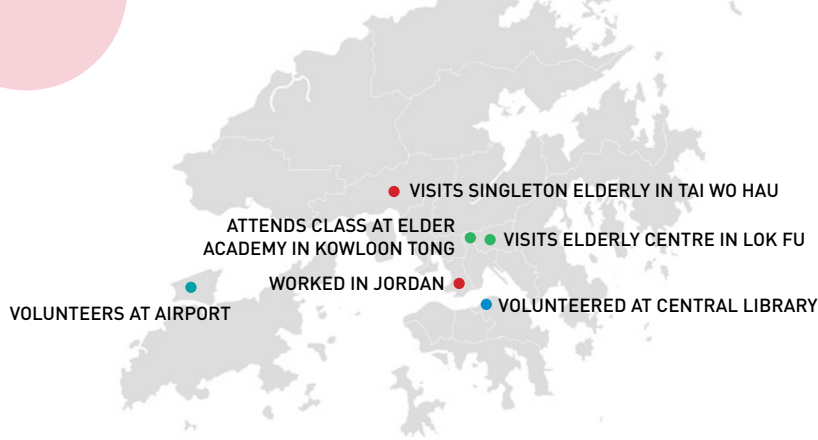
MTR'S SHARE OF ENERGY
CONSUMED BY THE TRANSPORT
SECTOR DESPITE HOLDING
OVER 48% MARKET SHARE OF
FRANCHISED PUBLIC TRANSPORT.

MY JOURNEY TO QUEEN ELIZABETH HOSPITAL

NAME: ANNIE TSE
OCCUPATION: RETIRED NURSE
STATION: JORDAN



**'I LOVED BEING A NURSE VERY MUCH!
 THE RESPONSIBILITY IS HUGE TOO.'**



Annie used to walk from Jordan Station to Queen Elizabeth Hospital for work every day. She spent her whole nursing career there.

"I went to nursing school directly after graduating from secondary school. My education and hospital training taught me a lot, and over the years I accumulated a wealth of experience. I was promoted to Ward Manager, and was responsible for supervising nurses and caring for paediatric cancer patients. I loved being a nurse very much! The responsibility is huge too – it's about taking care of patients' lives, we must be careful and can't afford to make any mistakes. We relieve pain, but we also care for our patients' psychological and spiritual needs. We are angels in white."

"In the past, occupational health and safety wasn't well managed. We saw a lot of work-related injuries. It really saddened me to see victims of paralysis. I would talk and sing to them, hoping to relieve their suffering. Of course, there were happy moments too. One time, I helped deliver a 10 pound baby. So plump and cute. He brightened my day!"

Annie hopes that young people appreciate the importance of their work. "I liked to teach the nursing students and share my experience, they called me big sister!"

Annie has retired, but her passion to care for and serve others hasn't diminished. She is now even busier than before. "I go to classes at the Elder Academy, work as an Airport Ambassador and visit singleton elderly. The MTR 2 dollar concession rate for the elderly makes it so easy for me to get around!"

But, she enjoys sharing her medical knowledge at the elderly centre the most. "I always remind my friends that we elderly need to pay attention when going out. Walk slower, take the lift. Don't walk on escalators. Protect our joints and we should be careful not to slip. We don't want our families to worry and we don't want to suffer either."



MAKING THE JOURNEY POSSIBLE



PRISCILLA LEE

HUMAN RESOURCES MANAGER
- PROJECTS & ENGINEERING

PRISCILLA PROVIDES
SUPPORT TO THE PROJECTS &
ENGINEERING DIVISION STAFF.

I joined MTR back in 1993, working in Projects division. I left for a short period, but rejoined the company just a year later. Since then, we have worked on many new lines. The network was not always as extensive as it is now. I'm glad to see it is now bringing Annie to all the places she has to go for an active retirement.

The Projects team is very dynamic. It changes with the projects at hand and the project phases. But the whole team always works toward a common goal and this creates the motivation for us to achieve various milestones together. The HR team has to support the manpower planning and bring new joiners on board quickly. So we too feel the pressure. We explore different recruitment channels to ensure we get the right people for our projects.

Apart from the Graduate Engineers Scheme, we also started an Inspectorate Staff training scheme at the launch of the 5 new extension projects in 2012 to bring new blood into the industry. Millennials are open and willing to speak up and we have more interactive communication. We also arrange mentoring sessions with senior managers or other staff to discuss their project experience. Engineers are usually very straightforward; we have lots of debates and they've been very hard on me sometimes. But it's not personal; I take it as a sign of our mutual trust! Our goal is always to build a better network and we learn from each project. Like Annie, through collaboration and communication, we openly share experiences with colleagues and patiently coach our staff, hoping to pass on the knowledge and the corporate culture. The commitment has never changed.

HR is there to give the best care we can. I remember last Christmas Eve, one of our inspectors was injured on site. HR went to the hospital right away to see if we can offer any help. Though we try to prevent them, injuries do sometimes happen, and when they do I'm glad that they have someone like Annie to help them. I'm also glad that we can be there to help.

Once new lines have opened and entered into operation, we face a different set of challenges and need staff with different skillsets. There are other colleagues in the HR department supporting operations staff and providing them with the necessary training so that they are empowered to serve our customers. They are very important to ensure our customers have a safe and pleasant journey on the rail network.

7.1 days

AVERAGE TRAINING DAYS PER EMPLOYEE.
WE ARE COMMITTED TO DEVELOPING OUR
STAFF AND STRIVING FOR EXCELLENCE.

-11.6%

NO. OF REPORTABLE EVENTS INVOLVING
ESCALATORS ON THE HONG KONG HEAVY RAIL
NETWORK COMPARED WITH 2015.

MY JOURNEY TO NAM SHAN ESTATE

NAME: HAYES WAN

OCCUPATION: FINANCIAL PLANNER

STATION: SHEK KIP MEI



'NAM SHAN ESTATE WAS MY 19TH HOME. I LIVED WITH MY GRANDMA FOR 8 YEARS. IT'S WHERE I LIVED THE LONGEST.'



Every week, Hayes walks past the dai pai dong at Nam Shan Estate to his Grandma's home for a visit. Nam Shan Estate always gives him serenity. Hayes takes a deep breath and leaves his busy day behind. "My family faced financial difficulties so I moved all the time. Nam Shan Estate was my 19th home. To save rent, I lived with my grandma for 8 years. It's where I lived the longest."

Hayes became a financial planner 2 years ago. He starts every day with a 9 am meeting at his office. Then, he commutes to meet his clients. "I usually meet 3 to 4 clients every day. When it's busy, I meet up to 7 clients! When I first started, I didn't think to arrange meetings by client location. One Sunday, I had a morning meeting in Tseung Kwan O and an afternoon meeting in Tin Shui Wai. Wow! It was like I was the Monkey King on the Journey to the West!"

Hayes often takes the MTR, because it's easier to estimate his travelling time. He spends 2 to 3 hours on the MTR every day and enjoys people-watching. "I've seen a few arguments. Sometimes they start when people force their way into the train as the door is closing and end up hitting someone. Some argue about the priority seats. The most interesting people are those who sleep. They swing and sway. I worry that they'll break their necks!"

Hayes is not sure how much he spends on transportation every month. "I travel a lot to meet clients, so I guess it's over \$1,000. I considered the Citysaver but most of my clients are in Kowloon and the New Territories. I don't cross the harbour often so I don't always benefit."

Exiting Shek Kip Mei Station, Hayes rushes to his grandma's for dinner after his last client meeting. "My grandma raised me. Even though the diner is gone, and she no longer brings me downstairs to buy toys, every time I come back, I feel at ease, I'm back where I belong."



MAKING THE JOURNEY POSSIBLE



RAYMOND YUEN

GENERAL MANAGER
– MARKETING & PLANNING

RAYMOND SETS MTR'S FARES
AND MAKES SURE THE FARES ARE
COMPETITIVE COMPARED WITH
OTHER TRANSPORT MODES.

Being one of the most intensively-used metro systems in the world, MTR is experiencing rising demand on rail services and this puts a lot of stress on our systems and infrastructure. Maintaining safe and reliable service requires regular maintenance, asset replacements and upgrades.

Railways are a capital intensive infrastructure. With Rail Gen 2.0, we are well on our way to upgrading a range of assets. Fare revenue is essential, not just as a source of stable income, but to cover costs associated with the maintenance and replacement of these assets.

We have an open, objective and transparent fare adjustment mechanism which is based on publicly available Government statistics. Any fare increase must be approved by the Board of directors. To ensure that we maintain a balanced view that's sensitive to our stakeholder needs and concerns, we have a relatively high proportion of independent non-executive directors – this helps to represent diversity in both thought and experience.

Each year, after we have submitted the fare adjustment proposal to the Board, we would also introduce fare promotions and concessions, because we understand that transportation cost can be challenging to some households. For example, we were the first transport operation to introduce the “2 dollar scheme” for the elderly, and the only one that offers concessionary fares to full-time students. We also introduced schemes such as the “City Saver”, “Monthly Pass”, “Early Bird Discount” and other concessions to suit the different travel patterns of customers. We continue to optimise these promotions to benefit our customers including Hayes.

Our success depends on the support of our customers so we share our profits with them through rebate mechanisms. While we maintain financial sustainability for our shareholders, we also need to make sure that the service we provide is of good value, and helps Hong Kong citizens like Hayes fulfill their professional goals and nurture their social lives.

>HKD 2.5 bn

ONGOING CONCESSIONS AND
PROMOTIONS PROVIDED IN 2016.

68%

PERCENT OF BOARD MEMBERS WHO ARE *INED*.
THEY ENSURE THAT DIVERSE VIEWS AND EXPERIENCES
ARE REPRESENTED ON THE BOARD.



SAFETY

Safety is our first priority. We are proud to provide our customers with a safe and reliable public transportation option in every city where we operate. With decades of continuous attention by management, our uncompromising Safety-First culture—encompassing care for customers, staff, contractors and anyone else who legitimately enters our facilities — is deeply ingrained in our corporate DNA.

We are deeply saddened to report two fatalities in our railway operations and one in our construction activities in Hong Kong this year. We will continue our efforts to raise safety awareness amongst our stakeholders, and to ensure that we learn from these events to prevent a reoccurrence.

In 2016, efforts to ensure continuous safety improvements saw a 9.1% reduction in reportable incidents on the Hong Kong heavy rail network compared with 2015. We have also seen a reduction of elderly injury rate. As the number of elderly customers continues to grow, we are organising targeted safety talks, visits and escalator safety campaigns to enhance safety awareness.

0

STAFF FATALITY

1

CONTRACTOR FATALITY

PASSENGER FATALITIES

| | 2015 | 2016 |
|------------|------|----------|
| Heavy Rail | 1 | 0 |
| Light Rail | 1 | 1 |
| Bus | 0 | 1 |

PASSENGER INJURIES REQUIRING HOSPITALISATION (per 100 million passenger journeys)

| | 2015 | 2016 |
|------------|-------|--------------|
| Heavy Rail | 7.91 | 8.39 |
| Light Rail | 14.76 | 14.55 |
| Bus | 0.00 | 6.29 |



ESCALATOR SAFETY CAMPAIGN

With almost 1,000 escalators operating in our system, escalator accidents are one of the most common safety incidents. We continued to raise public awareness of escalator safety through the Escalator Safety Campaign.

-11.6%

NO OF REPORTABLE EVENTS INVOLVING ESCALATORS ON THE HONG KONG HEAVY RAIL NETWORK COMPARED WITH 2015

In Context

Providing customers with a safe and reliable service is the bedrock of our operations. Our robust risk management system guides our preparation for emergencies while we continue to enhance our safety management system, strengthen audit and system assurance, improve our standards and procedures, as well as engage our stakeholders to raise their safety awareness.

To help ensure that the Corporation will respond to and recover from emergencies and crises in an organised and highly effective manner, including timely communication with principal stakeholders such as Government departments, we established a mechanism in 1995 to activate the formation of the Crisis Management Team in the event of an emergency. The Crisis Management Team comprises relevant Members of the Executive Directorate and Executive Managers, and its operation is governed by a Crisis Management Plan which, among other things, sets out the duties of respective members. The Crisis Management Plan is aligned with world-class standards and kept up-to-date through regular review. The operation of the Crisis Management Team is aided by an information system to track the latest crisis situation, issues and strategic actions, and to disseminate crisis related information. The Team conducts regular exercises to validate the crisis management organisation and arrangements and to provide practices for members.

Our Safety-First culture was well demonstrated by our response to an arson incident that happened on one of our trains on 10 February 2017. We are deeply concerned by the incident, and have set up an Executive Review Panel to thoroughly examine incident handling and safety procedures and to identify areas for improvement to further enhance the Corporation's response in emergency situations.

Read more from our [full report](#).



CUSTOMERS

Our heavy rail network now reaches all 18 districts of Hong Kong. During 2016, the average weekday patronage on our rail and bus passenger services in Hong Kong increased by 0.6% to 5.59 million. Service performance has further improved from the previous year resulting in our best train service reliability performance since the merger with KCRC in 2007.

We recognise overcrowding is a concern for our customers especially during peak hours. This can be relieved when additional lines which will enhance the overall capacity of our network have opened. As an intermediary measure, we have gradually added 2,700 extra train trips to different MTR Heavy Rail lines, and more than 650 weekly train trips to Light Rail routes since 2012. In 2016 alone, 140 additional weekly services were added to the Island, Tsuen Wan and Kwun Tong lines.

Our efforts to enhance barrier-free access to the MTR heavy rail system have continued throughout 2016. All our stations have at least one barrier-free access, in the form of ramps, wheelchair aids, stair lifts or lifts. To further improve accessibility, we have added six additional lifts this year. Our station staff will continue to provide assistance to mobility impaired passengers as needed.

5,326

NUMBER OF CUSTOMER SERVICE STAFF IN OPERATING RAILWAY

4,751

NUMBER OF RAILWAY MAINTENANCE STAFF

TRAIN SERVICE PERFORMANCE (Heavy rail only)

| | 2015 | 2016 |
|--------------------------------------|-------------|--------------------|
| Passenger journeys on time | 99.9% | 99.9% |
| Revenue car-km operated | 307,729,166 | 311,103,721 |
| Total number of train trips operated | 1,911,637 | 1,918,927 |
| Total number of >30 min delays* | 7 | 6 |

*excluding delays caused by external factor

BARRIER FREE ACCESS

In Lam Tin station, we are trialling a free accessible-car service for wheelchair-bound customers, helping them overcome topographical obstacles in the area.

CONCESSIONS TO CUSTOMERS

We understand that transportation costs can be a challenge for some sectors in our society. Our ongoing concessions target groups that would benefit most from a reduced fare. We were the first to provide a \$2 fare for the elderly, and the only transport operator to provide a special student rate.

ENHANCING TRAIN SERVICE

On the Ma On Shan Line, 8-car trains are gradually replacing 4-car trains thereby doubling carrying capacity. Automated platform gates are being installed along the Ma On Shan line to enhance safety. These are part of the preparations for the future Shatin to Central Link.

In Context

In 2016, we announced the launch of Rail Gen 2.0, a major programme to enhance travelling experience and prepare for the “next generation” of railway transport in Hong Kong. Rail Gen 2.0 comprises four new rail projects, two of which have already been completed; major interfacing works as well as major asset replacement and facilities upgrades to the existing network. For example, massive modifications to the East Rail Line, the oldest line in the network, are underway, including platform and station enhancements and preparatory works for the installation of automatic platform gates.

In 2016, we completed a comprehensive study to develop the “2030 Customer Experience Vision Blueprint” which provides a framework for service enhancement initiatives and asset management planning to further improve the travel experience for our key customer segments, namely commuters, tourists and the elderly, over the coming years.

Planning and anticipating future needs requires collaboration amongst different divisions and openness as to how the future could look. Part of this plan involves leveraging big data, new technologies and innovation to better predict, prevent, respond and recover from disruptions, further enhancing our service to passengers.

Read more from our [full report](#).



COMMUNITY

By integrating rail and property developments, we build sustainable community hubs along the MTR network. We design, build and deliver services that are people-oriented, safe, efficient and conducive to a higher standard of living. Both existing and developing communities benefit from the new facilities that come with the expanded MTR network which, in 2016, has reached all 18 districts in Hong Kong.

We consult extensively with local communities to minimise and mitigate the impacts of new lines, property developments and other major works. During the planning and construction stage of the Kwun Tong Line Extension (KTE), we established Community Liaison Groups for each of the areas affected by line construction and communicated with local stakeholders. We partnered with the Hong Kong Polytechnic University, fielding Young Ambassadors to visit schools and elderly centres to introduce the new stations and facilities.

The Southern District was underserved by railway until the opening of the South Island Line (East) (SIL(E)) which greatly reduces travelling time to the city centre. With the fully automatic operation and the new train design, customers have open views of the beautiful surroundings. Property developments that are integrated with the MTR network have been planned on both KTE and SIL(E). Both developments will provide convenience and vitality to the community once they are completed.

KWUN TONG LINE EXTENSION

| | |
|--------------------------|---|
| TOTAL ROUTE LENGTH | Approximately 2.6 km |
| NO. OF STATIONS | 2 |
| APPROXIMATE JOURNEY TIME | 5 mins from Whampoa to Yau Ma Tei |

SOUTH ISLAND LINE (EAST)

| | |
|--------------------------|--|
| TOTAL ROUTE LENGTH | Approximately 7 km |
| NO. OF STATIONS | 4 |
| APPROXIMATE JOURNEY TIME | 11 mins from Admiralty to South Horizons |

In Context

As a corporate citizen, we seek to leverage our assets, skills and resources to connect, grow and support communities to help them thrive. The Community Connect platform houses a variety of initiatives benefiting different segments, with a special focus on youth. We hope to empower young people so that they have the skills, motivation, perspectives and opportunities to build and create a bright and sustainable future for themselves and their communities.

In its second year, our Youth Forum advisory panel offered us valuable feedback on the way we communicate, supported our review of the Fare Adjustment Mechanism and MTR By-Laws, and offered suggestions on service enhancements for 2030.

The Pathways to Employment Programme was created to bring business and social sectors together to find ways to bridge the gap between the skills and ambitions of Hong Kong's youth, and the demands of an evolving economy. With the help of community advisors and a public vote, five projects that aim to cultivate innovation, entrepreneurial and leadership skills as well as foster young people's interest in Science, Technology, Engineering and Mathematics ("STEM") subjects received funding from the Corporation and will be rolled out over the next three years.

We continue to run two major programmes — 'Train' for life's journeys' and 'Friend' for life's journeys' — that provide skills and personal development opportunities for secondary school students. Through this multi-faceted programme approach, our goal is to support young people to unleash their potential.

Read more from our [full report](#).



NGO AND SOCIAL ENTERPRISE SUPPORT PROGRAMME

"CookEasy" in Tuen Mun opened in November 2016. It is the first retail shop to open under our "NGO and Social Enterprise Support Programme", which provides eligible enterprises a significant discount to run their businesses in selected MTR shops. More shops will be opened under this programme in the coming year.



INTEGRATED RAIL AND PROPERTY DEVELOPMENT

The property developments above Ho Man Tin and Wong Chuk Hang are our latest development projects. They will be integrated with the MTR network providing convenience to residents and customers alike.



ENVIRONMENT

We strive to become one of the world's most resource-efficient and ecologically sustainable railway and property service companies.

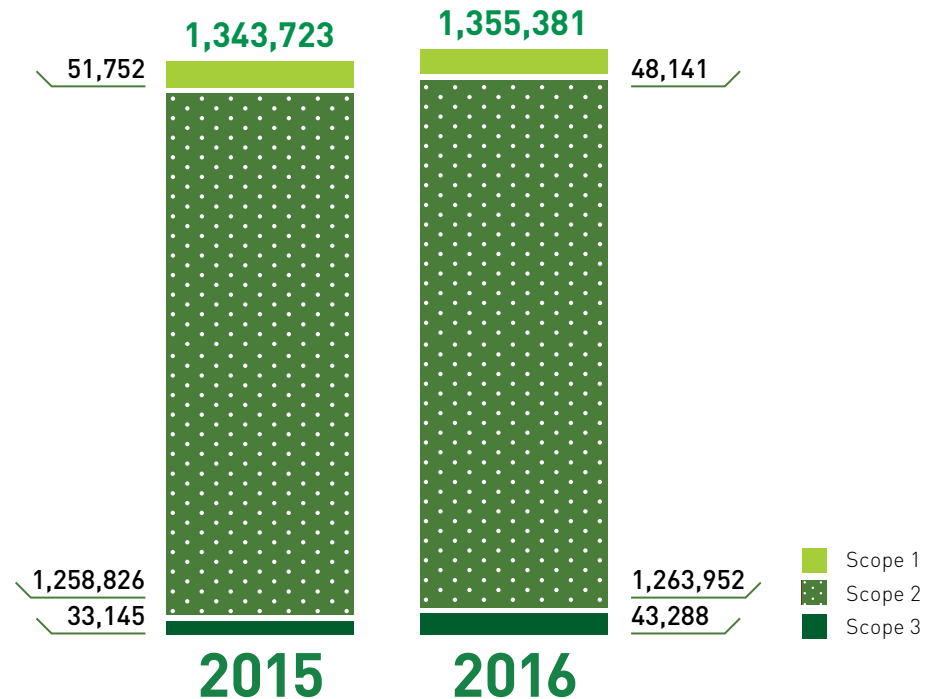
With an expanded network and increased train frequency, our electricity consumption has only increased by 0.1 per cent in 2016. However, we are still on track to meet our electricity reduction target of 21 per cent by 2020 in our heavy rail operations, compared with our 2008 baseline year. We make use of the opportunities presented during upgrading and renewing our assets to adopt more energy-efficient equipment, including the large-scale chiller replacement programme that will commence in 2017.

We understand that good environmental management starts at the design stage, and requires continual commitment. We have been managing the 32-hectare wetland in Lok Ma Chau (LMC), established when the LMC spur line was built. We are proud of this initiative which preserves marshes and fishpond areas that provide important nesting sites for migratory birds. During the 2016 breeding season, for example, 134 pairs of birds including the Little Grebe (*Tachybaptus ruficollis*) and the White-shouldered Starling (*Sturnia sinensis*), both of which are listed in the Wild Animals Protection Ordinance, are believed to have bred in the wetland.

-16.1%

ELECTRICITY INTENSITY (KWH PER PASSENGER-KM)
IN 2016 COMPARED WITH THE 2008 BASELINE

GREENHOUSE GAS EMISSIONS (tCO₂e)





CHILLER REPLACEMENT PROGRAMME

Our chiller replacement programme kicked off in Wan Chai. Over the next six years, a total of 160 chillers across our network will be replaced with more advanced and environmentally friendly systems, helping us achieve approximately 30% energy savings.



NEW LIGHT RAIL VEHICLES AND BUSES

40 new Light Rail Vehicles and new double-decker feeder buses with increased capacity were purchased to expand and replace our aging fleet. The new vehicles will enhance customer comfort and help meet growing passenger demand. Also, the new buses follow the Euro V standard and will reduce roadside emissions.

In Context

We deliver efficient low carbon mass transit to the residents of Hong Kong and in our international businesses. In Hong Kong, over 90 per cent of commutes are by public transport, and MTR has a 48.4 per cent share of the franchised public transport market. Yet, according to the Government's Climate Action Plan 2030+ published in January 2017, MTR consumes only 3 per cent of the energy used by the transport sector. Therefore, the continued expansion and extension of the railway lines, and the development of rail as the backbone of public transport are important elements of the Climate Action Plan for Hong Kong to meet its carbon reduction target.

Equally as significant, MTR also contributes to the avoidance of impacts associated with other forms of transport, giving rise to better roadside air quality, less congestion and more efficient use of limited land resources. This graphic represents the number of buses, mini-buses and cars that it would take to transport the same number of passengers, on average, as just one of our trains travelling at capacity.

1 MTR Train



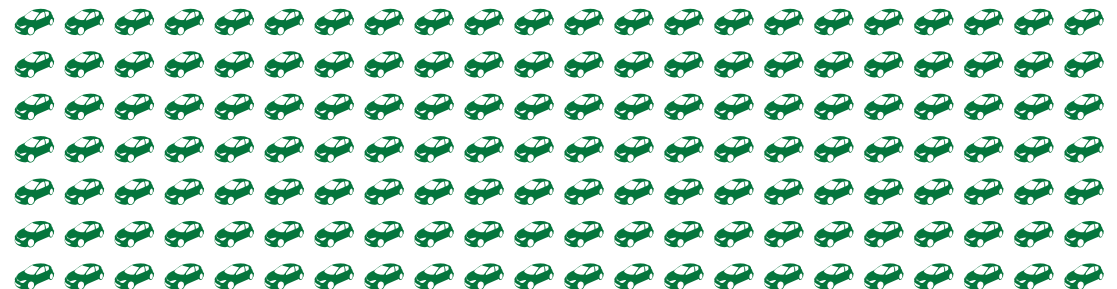
25 Buses



150 Mini-buses



1,500 Cars



Read more from our [full report](#).



STAFF

Our successes in Hong Kong and our overseas operations are only possible with our dedicated staff. As at the end of 2016, the Company and its subsidiaries have 17,639 staff in Hong Kong and 9,866 outside of Hong Kong. Our associates employed an additional 10,216 staff.

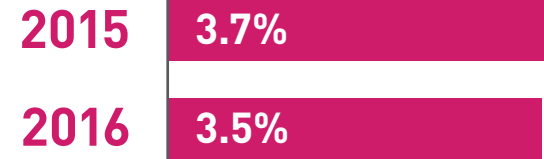
We value the views of every member of our staff. In addition to the well-established Staff Consultation Mechanism, we reach out through a variety of other staff communication channels, including departmental meetings, and communication and sharing sessions, to encourage two-way communication between line management and employees.

The first global Staff Engagement Survey was conducted in November 2016 to solicit valuable feedback from staff in Hong Kong, the Mainland of China and international business hubs. The overall response rate was very high at over 94%. We are consolidating and reviewing the findings, and developing follow-up actions to respond to staff feedback, which we will discuss further in next year's Report.

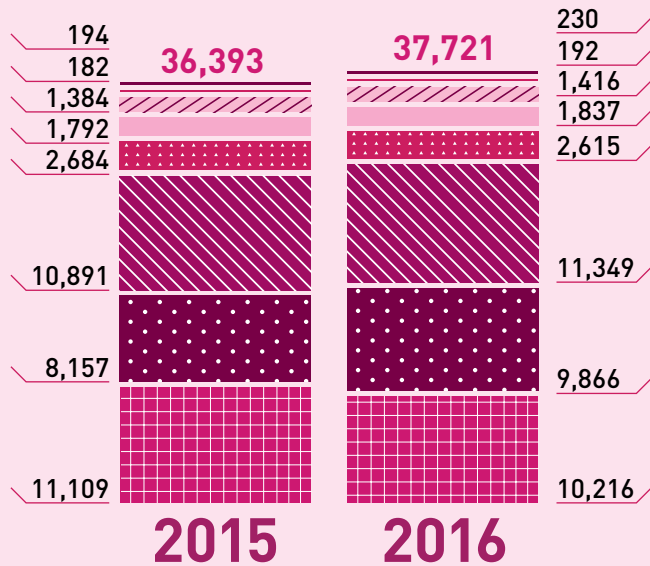
AVERAGE TRAINING DAYS PER EMPLOYEE



VOLUNTARY TURNOVER RATE



GLOBAL STAFF STRENGTH (FULL-TIME EMPLOYEES)



- Staff in associates in and outside of HK
- Staff in subsidiaries outside of HK

Hong Kong

- Mainland of China and International businesses
- Station commercial businesses
- Property and other businesses
- Corporate management and support departments
- Projects
- Operations

In Context

In our overseas operations, we seek to provide support to the local team, while strengthening operational processes. Our global framework provides three clear objectives for our human resources strategy over the coming years: focusing on corporate cultural development, talent management, and human capital mobility and development. Since 2013, we have started to implement structured programmes in pursuit of these objectives.

For instance, we have established a Global Resource Pool which integrates potential resources from international subsidiaries with the Mobile Resource Team from Hong Kong and the Mainland of China. A Global Mobility Policy was also established in 2016 to facilitate global resource deployment and provide consistent relocation terms across global offices.

Currently over 140 Hong Kong staff are working on projects overseas on a full-time basis, and some staff on a travelling basis. Throughout their offshore assignments and upon their return, staff members are encouraged to share their experiences and learnings. Through these means, we are able to ensure that knowledge is shared across the globe and adapted to a local context.

Read more from our [full report](#).

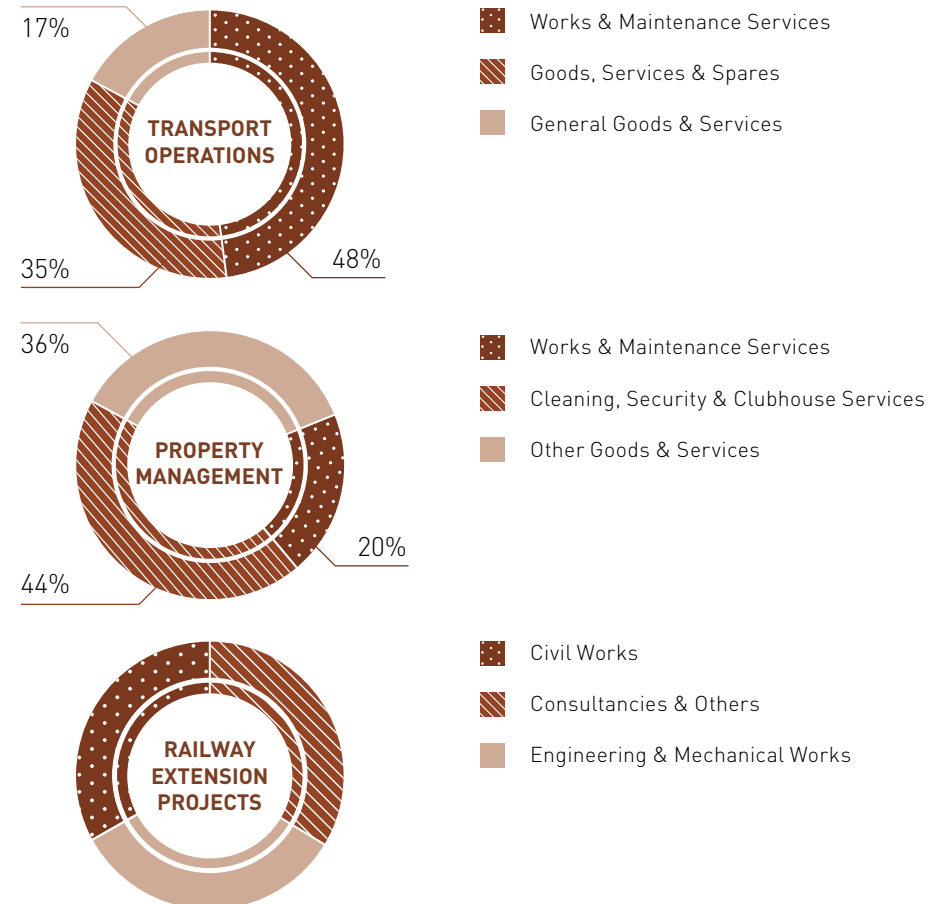


SUPPLY CHAIN

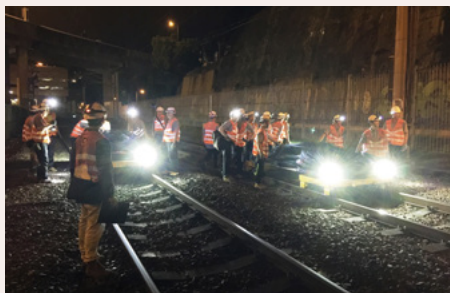
We are in a position to build upon a strong foundation of working with stakeholders in our supply chain to promote quality, safety, reliability, business ethics and a commitment to being a responsible and sustainable business.

Our transport operations continue to be the largest segment of the three spending categories. This year we have spent more than HKD 8 billion on maintaining, replacing and upgrading our existing network. The quality of the service we provide, and of the infrastructure that we build, are dependent on the reliability and quality of products and services delivered by our suppliers. Risks in our supply chain, similar to our other enterprise risks, are therefore subject to regular assessment through the Enterprise Risk Management System. We also identify the relevant sustainability risks for each supplier category, and the strategic focus areas for supplier engagement by division and category of spending.

PERCENTAGE OF SPENDING BY MAJOR CATEGORIES IN 2016



(Proportional spend data is not shown due to the cyclical nature of spending)



NEW SIGNALLING SYSTEM

We embarked on a major signalling replacement project to further increase our train frequency and the network's overall capacity. We are conducting tests on running lines during the short overnight non-service hours period to reduce disruptions to our customer journeys.

47.7%

OF FARE REVENUE EQUIVALENT INVESTED IN RAILWAY MAINTENANCE, REPLACEMENT AND UPGRADES IN 2016, WHICH AMOUNTED TO MORE THAN HKD8 BILLION

In Context

The Sustainable Procurement Task Force of the Procurement and Contracts Department was established in 2012. In 2016, we reviewed and strengthened the governance structure of the Taskforce. Reporting to the Engineering Director, it comprises colleagues who examine the implementation of sustainable procurement initiatives across the Company.

One of the focus areas of the taskforce is to survey our suppliers periodically to collect information about the status of their policies, initiatives and monitoring systems relating to sustainability. Findings from the questionnaire help us to understand how our suppliers are aligning with the Supplier Code of Practice and the maturity of their sustainability practices.

In our most recent survey in 2014, we observed an overall increase in the proportion of suppliers indicating that they have corporate responsibility policies, initiatives and monitoring systems in place – from 27.6% to 46%. In our next survey, scheduled for mid-2017, we will also seek to understand their priority sustainability areas, comparing these results with our own assessment. This will guide areas for improvement and collaboration, as well as note the feasibility of introducing enhanced sustainability requirements in the future.

Read more from our [full report](#).



FINANCIAL AND ECONOMIC PERFORMANCE

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. Fares are one of our major sustainable and stable revenue sources. The Fare Adjustment Mechanism (FAM) was agreed with the government at the time of our merger with KCRC in 2007. It is designed to enable fair, objective and transparent fare adjustments.

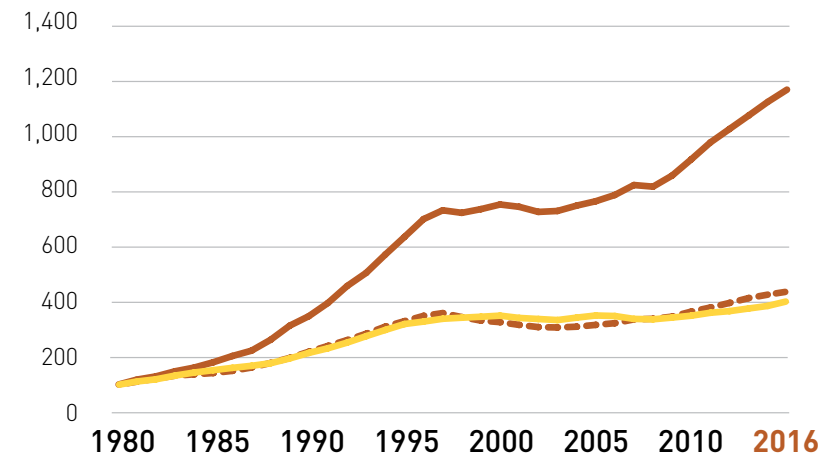
Based on a mutual agreement reached in April 2016 with the Government, we advanced the 2017/18 review and the result was released in March 2017. Building on the foundation of the FAM formula, which remains unchanged, we will be implementing new arrangements which will benefit all passengers, while ensuring 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.

We 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, in November 2016, we issued a green bond to fund projects that enable us to continue to provide green transport and property services.

> HKD2.5BN

ONGOING CONCESSIONS AND PROMOTIONS PROVIDED IN 2016.

FARE TREND



- HK Payroll Index (avg. 7.3% growth p.a.)
- - Composite Consumer Price Index (avg. 4.3% growth p.a.)
- Average Fare (exclude Airport Express and Intercity Service) (avg. 4% growth p.a.)

In Context

Our contribution to Hong Kong is beyond the profit we generate for our shareholders. To illustrate, we have prepared a value added and distributed statement this year. Revenue is the economic value created from the transport, property and other services we provide to our customers; this is then distributed to our stakeholders – suppliers,

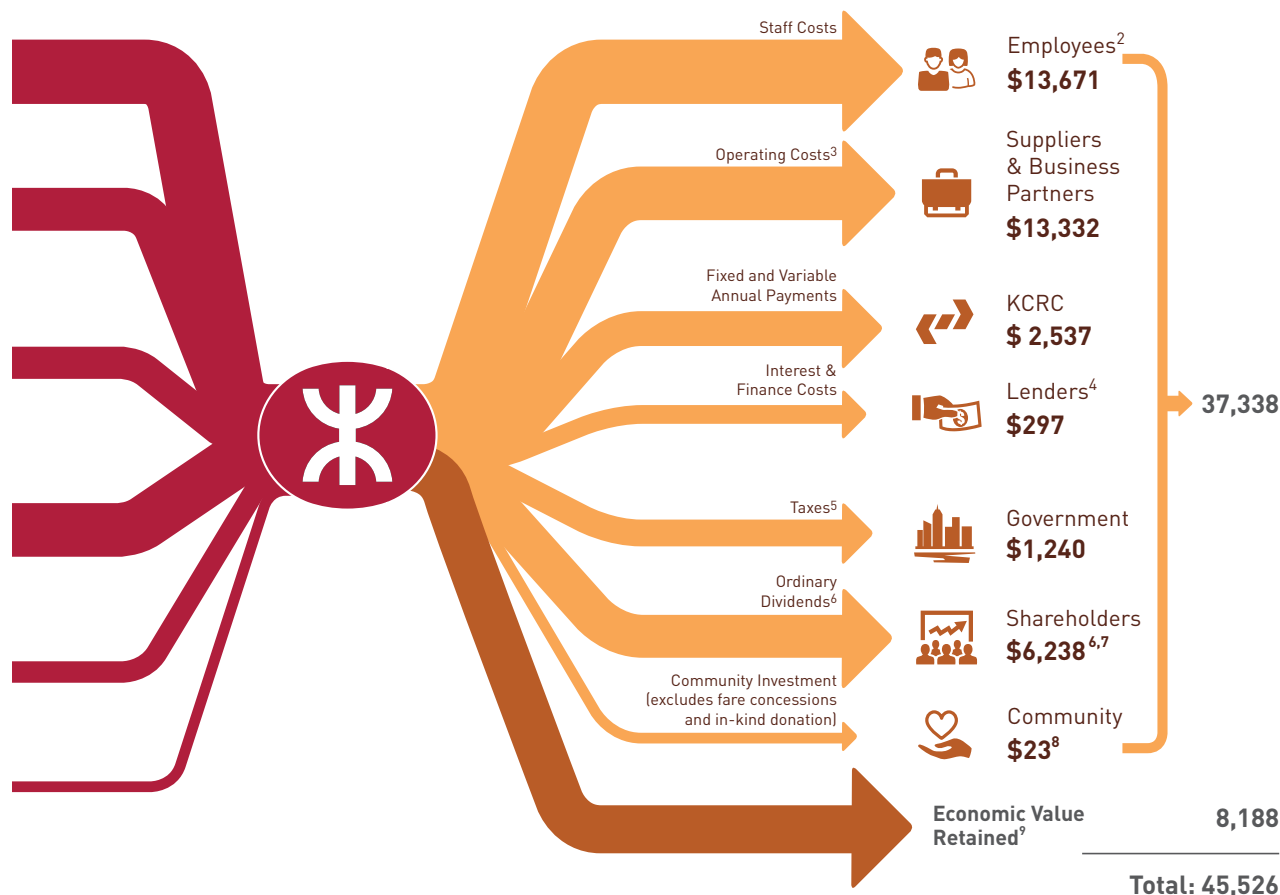
employees, lenders, shareholders, government and the community at large. The retained profit represents the reinvestment we made to maintain and upgrade our current assets, as well as the capacity to fund new projects.

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 Development ¹ | \$ 337 |
| Total: | 45,526 |

Economic Value Distributed



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 inkind 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.

Read more from our [full report](#).

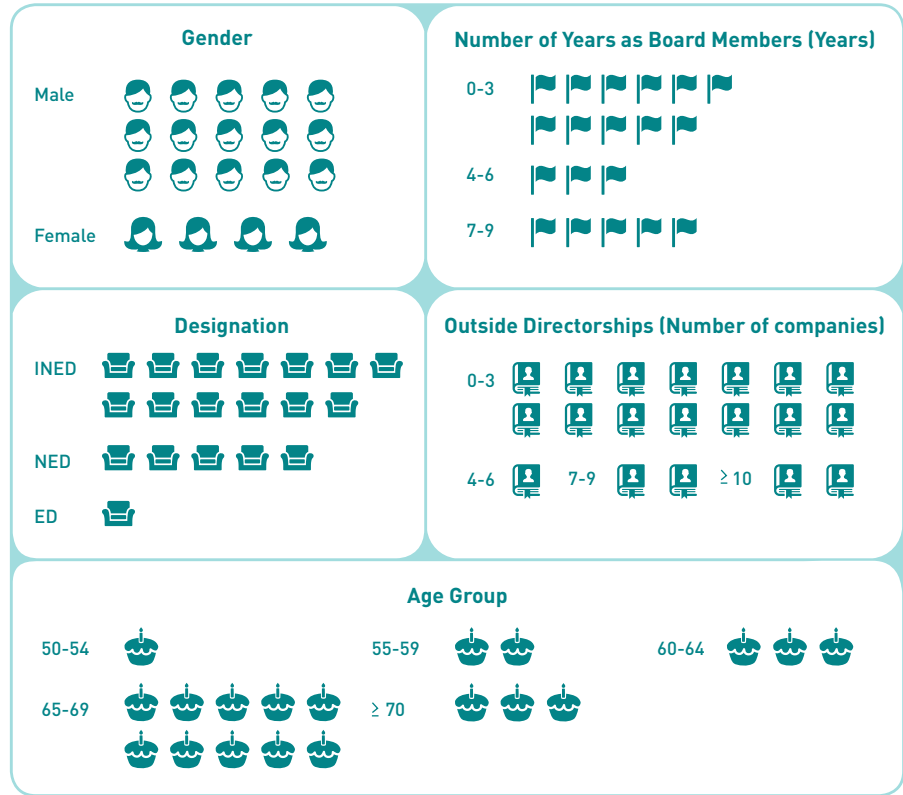


CORPORATE GOVERNANCE

We believe good corporate governance is the foundation of building trust in an organisation. Members of our Board and Executive Committee are strongly committed to the collective responsibility of ensuring that the Company is well-managed in the interests of all its stakeholders. Our Board Members oversee the strategic vision and direction while Executive Committee Members formulate and implement the necessary policies and systems. This firm belief drives our continuous effort to seek and adopt best practices that enable good corporate governance.

We endeavor to ensure that Board members have an appropriate balance of skills, experience and diversity of perspectives, which is outlined in our Board Diversity Policy. This diversity enhances effective execution of our business strategy.

BOARD DIVERSITY



In Context

The Company continues to grow outside of Hong Kong, with an increasing number of subsidiaries and associates incorporated locally, in the Mainland of China and overseas. To ensure good corporate governance and management of financial and other risks, the Company exercises certain control and oversight over its subsidiaries and associates, and requires them to adopt appropriate management practices and policies relevant to the local context.

We are committed to promoting best practices in all areas where we have substantive control or influence. Referencing the practices in Hong Kong, we have developed a set of management directives relating to internal controls, consultation and reporting, and mandate our wholly-owned and majority-owned subsidiaries to adopt them. We also require subsidiaries and key associates to establish the Enterprise Risk Management (“ERM”) system as an integral element of the corporate governance framework. Measures are taken to identify, evaluate and manage significant risks arising from recurrent and growth businesses and from the constantly changing business environment, which cover a range of categories from financial and business environments, safety and health, security, service and business performance, environment, reputation as well as political issues. Risks are captured in risk registers for regular review and monitoring.

We conduct thorough assurance and regular audits, including a safety assurance assessment and enterprise risk management review, before the start of operations and following any substantive change in operational or business activity.

Corporate responsibility is one of the principles that guides our corporate behaviour and supports the delivery of our corporate strategy. Grounded in our Vision, Mission and Values (VMV) and informed by our established Enterprise Risk Management and Stakeholder Engagement processes, it is our aim to grow sustainably as a Company while contributing to the development of our communities.

Read more from our [full report](#).



BUILDING OUR FUTURE

In order to connect and grow communities in Hong Kong, we must keep exploring opportunities to expand our network and provide an efficient mass transportation system to more customers, while at the same time minimising the overall impact on the environment. For this reason, we will continue to provide technical and operational responses to Government to support the planning and implementation of further rail network expansion plans in Hong Kong, and at the same time look for possible property development sites along our railway lines.

Hong Kong is our home but we also see opportunities for expansion of our businesses in the Mainland of China and overseas markets. There are a number of projects currently in progress that will be in operation in the years ahead.

To support this growth, it is of utmost importance that we nurture the development of professionals in engineering and technology, especially in relation to railway in the community. As our wholly owned subsidiary, MTR Academy ("the Academy") aims to become a globally recognised railway management and engineering centre that offers high quality programmes for MTR employees, the Hong Kong community and the railway industry in the Mainland of China and overseas. The Academy officially opened in November 2016, with its campus at a renovated space in the MTR Hung Hom Building.

4

NUMBER OF PROJECT PROPOSALS THE GOVERNMENT HAS INVITED THE CORPORATION TO SUBMIT, OUT OF THE 7 PROJECTS IDENTIFIED IN RDS2014

About **18,000**

NUMBER OF RESIDENTIAL UNITS, TENDERED OUT UNDER 11 DEVELOPMENT PACKAGES, CURRENTLY IN VARIOUS STAGES OF PLANNING AND CONSTRUCTION, TO BE COMPLETED OVER THE NEXT FOUR TO SIX YEARS

120,620 sq metre

ADDITIONAL GROSS FLOOR AREA THAT WILL BE ADDED TO OUR INVESTMENT PROPERTY PORTFOLIO OVER THE NEXT 5 YEARS

In Context

We are operating in an increasingly diverse and volatile environment. In 2016, we conducted a foresight study. Through research by external experts and a series of workshops with Executives and subject matter experts from different business units, we sought to identify and understand the trends shaping our operating environments in the time horizon leading up to 2030. We focused on the strategic trends shaping the future of transport and property globally, identified implications and priorities, and developed a series of actions to better prepare the Company for the future.

These have been prioritised and consolidated into strategic themes which were considered important for further investigation:

- **Ageing Population** - It is foreseen that the percentage of the ageing population will increase considerably by 2030 and beyond, which may impact on the operations of our railway network, property business and our workplace.
- **System Resilience for Climate Change** - Our railway system design needs to be more resilient and adaptive to accommodate the impacts brought about by climate change, as well as the need to be more “tuned in” to the changing environment.
- **Digital Transformation** - Riding on the advancement of technology, there will be more opportunities to enhance our services, engage with our customers, develop new business models, and enhance the efficiency of our workforce.

We will continue to investigate and monitor the development of the mega trends under each of the above strategic foci so as to better prepare ourselves for the future.

Read more from our [full report](#).



INNOVATING WITH HACKTRAIN HK

An international group of programmers, designers and entrepreneurs were brought to Hong Kong for the first railway hackathon in Asia. They have developed innovative solutions for service enhancement and operational efficiency, and we are studying the possibility of implementing some of the winning ideas.



MTR ACADEMY

MTR Academy was launched in November 2016 with the vision to be a globally recognised railway management and engineering centre that offers high quality training. The first accredited programme, Advanced Diploma in Railway Engineering, commenced in January 2017.



MAINLAND OF CHINA AND INTERNATIONAL BUSINESS

MTR serves another 5.6 million passengers every day in cities abroad. We promote a culture of learning and sharing between staff across all our operations. This helps us gain valuable experience, promotes best practice and spreads our unique corporate culture across many local contexts. In this section, we highlight our international subsidiaries in Mainland of China, Australia, Sweden, and the United Kingdom.

Read more from our [full report](#).

SWEDEN

Stockholm Metro

- Operated by MTR Tunnelbanan AB*
- Rolling stock maintenance by MTR Tech AB*

MTR Express intercity train service

- Operated by MTR Express (Sweden) AB*

Stockholm commuter rail (Stockholms pendeltåg)

- Took over in December 2016
- Operated by MTR Pendeltågen AB*
- Rolling stock maintenance by Emtrain AB#

UNITED KINGDOM

TfL Rail / Elizabeth Line

- Operated by MTR Corporation (Crossrail) Limited*

London Overground

- Until November 2016
- Operated by London Overground Rail Operations Limited#

MAINLAND OF CHINA

Beijing Metro Line 4, Daxing Line, Beijing Metro Line 14 and 16 (Phase 1)

- Operated by Beijing MTR Corporation Limited#

Hangzhou Metro Line 1 and extension

- Operated by Hangzhou MTR Corporation Limited#

Shenzhen Metro Line 4 (Longhua Line)

- Operated by MTR Corporation (Shenzhen) Limited*

AUSTRALIA

Sydney Metro Northwest

- Operation will commence in 2019
- Operated by Metro Trains Sydney Pty. Limited#

Melbourne's Metropolitan Rail Service

- Operated by Metro Trains Melbourne Pty. Limited#

* 100% owned subsidiary of MTR Corporation

Joint Venture/Consortium of which MTR Corporation is a shareholder

MELBOURNE, AUSTRALIA

MY JOURNEY TO FLINDERS STREET

NAME: NATALIE

OCCUPATION: CUSTOMER RELATIONSHIP MANAGER

STATION: FLINDERS STREET



'WE HAD OUR LUNCH ON THESE STEPS AND MY GRANDMOTHER WOULD RETELL STORIES OF GOING DANCING AT THE BALL ROOM.'



As Natalie walks up the steps to Flinders Street Station with her son, she looks up at the heritage building shimmering in the gentle afternoon glow. She is usually at the station for a fleeting moment as she rushes to work, but on the weekend, she slows down reminiscing on this Melbourne icon.

"As a child, I used to come into town with my grandparents. We had our lunch on these steps and my grandmother would retell stories of going dancing at the ball room. So, I've been riding the train to Flinders Street Station from a very early age," she smiles down at her son as she recalls.

Flinders Street Station is the pinnacle of Melbourne life for Natalie. "Everyone knows it, so as I got older I met my friends here. When I got married at Federation Square just opposite, I was able to have photos with the Station. Now, I get off in the morning and there's the rush of people – I just love being part of it!"

Through the years, as Natalie's life changed, so too did the metro and the Station. "Now we use myki, there are barrier gates, and PA systems tell me if my train's on time. If I ever need directions or if I need to change platforms, there are more customer service attendees to help. It was amazing when we got screens at the Station telling me when my train was coming; that was good!" she laughed. "The overnight service makes coming to the city so much more enjoyable, especially for night events like the New Year's celebrations. Instead of worrying about parking, we just take in the sights, enjoy the festivities, then walk to Flinders Street Station and go home. Even when we are going to the football or the cricket grounds, we leave our car at home. Of course, the Station is a connecting point!"

Today, the Flinders Street Station ballroom remains unused on the third floor, loyally guarding the memories of Natalie's grandmother. Natalie glances at her son then looks up again, "I can retell the stories of that grand ballroom as he gets older, and I hope he has that same feeling that I get."



MAKING THE JOURNEY POSSIBLE



TONY CHIERA

MTM CUSTOMER SERVICE MANAGER

TONY IS THE CUSTOMER SERVICE
MANAGER FOR THE MELBOURNE CITY
LOOP, WHICH INCLUDES FLINDERS
STREET STATION.

A lot happens behind-the-scenes to make sure that Natalie and the millions of other travelers enjoy their experience whilst on the train. We try hard to understand and deliver our customers' expectations focusing on improvements to the timetable, comfort, safety and customer engagement. We also prioritise communication and staff training.

When I first started my career, the information we provided on our services was nowhere near as good as it is now. As Natalie mentioned, we have the PA system, the screens, and our staff now carry iPads so they're a one-stop shop for transport, safety,

and city information. We also have designated staff to provide updates and communicate over our social media platforms.

As our customers have access to various communication channels, it's extremely important that we're not sending mixed messages, especially since we've got a lot of projects like the Flinders Street Station redevelopment, our rail upgrades and new tunnels. We have to keep our customers updated accurately on any service disruptions.

Nowadays, one big expectation from our customers is that we'll provide alternate transport when disruptions happen. This involves frequent communication between the key project managers, station staff, other transport companies, community group and Public Transport Victoria. Together we coordinate project planning, stabling of trains, customer information, train delivery planning, and availability of bus services during disruptions. Our plans have to identify and cater to the needs of regular travelers like Natalie and irregular travelers who may not know the system very well.

Although our work often goes unnoticed, last New Year's Eve we had a group of elderly people come up to us to give one of the best acknowledgements of the amount of work that it takes to transport them in a safe environment at night. To me, that stands out because the elderly often stay home since they worry about being out late. It's an absolute pleasure to know that through our hard work we helped them join the festivities.



15

RAIL LINES



218

STATIONS



390KM

TOTAL ROUTE LENGTH



233MILLION

NUMBER OF ANNUAL
PASSENGER JOURNEYS



91.99%

TRAIN PUNCTUALITY



4,431

FULL-TIME EMPLOYEES

Melbourne's Metropolitan Rail Services

Melbourne's railway network is one of the world's oldest systems, but it is now one of the busiest railways in Australia. We provide 14,000+ weekly services with strong performance in punctuality and delivery of services. Punctuality has registered a 12-month average of 91.99%. Overall, the on-time performance of the railway is now consistently exceeding 90%, well above the franchise target of 87%. Delivery of timetable services also remained above target, averaging at 98.6%.

We have developed various channels including social media and mobile phone apps to provide updates and other travel information to our customers, including the "Stop Here" app that facilitates the independent navigation of the rail network by individuals with sensory disabilities. With the setup of the new Customer Control Centre and mobile devices, frontline staff is now equipped to provide timely and reliable information to our customers.

The Victorian Government is investing heavily in major projects to upgrade and expand the city's rail network. Our Projects and Planning Division has grown considerably in size, complexity and expertise. Together with our consortium partners, we have enhanced our project delivery capability to play a significant role in the delivery of a considerable project pipeline.

In 2016, we received several accolades and certifications including the new ISO 9001:2015 on Quality, ISO 14001:2015 on Environment, as well as the current AS4801:2001 on Occupational Health and Safety Standards. We were also named among the top 50 innovative companies in the country by the Australian Financial Review.

Since Metro Trains Melbourne (MTM) took over the franchise for operations and maintenance of Melbourne's railway system in November 2009, we have achieved complete vertical integration in our management of rolling stock, infrastructure, stations and facilities. Our franchise is being re-negotiated for an extension of another 7 years, and the result is expected to be available by mid-2017.

STOCKHOLM, SWEDEN

MY JOURNEY TO STOCKHOLM

NAME: LOVISA FONTANA

OCCUPATION: UNIVERSITY STUDENT

STATION: ODENPLAN



**'THREE YEARS AGO, IT ALL FELT SO NEW;
NOW, I FEEL AT HOME.'**



"It's a vibrant city", Lovisa describes Stockholm with enthusiasm, "I like the atmosphere here – there are many things happening!"

Lovisa remembers how she felt when she first moved to Stockholm from her hometown in Nora three years ago: "everything felt new and exciting. I wanted to get to know the city. I wouldn't have seen so much of it if it wasn't for the metro. There are so many different parts of Stockholm and so many things to do."

During the week, Lovisa studies psychology at Karolinska Institutet, and on the weekends, she works at a clothing boutique in city center. "I like meeting people and I also like clothes, so I'm selling clothes and meeting people. It's a perfect combination!"

In her free time, Lovisa enjoys exploring the city, and discovering new restaurants. "There are plenty of good restaurants!" she declared, "ESA Sushi at St Eriksplan has the best sushi in town, and at Odenplan, you can find my favourite Mexican restaurant, YUC!" "Riding the metro is so easy! I've seen so much more of the town than before, maybe that's why I like it even more now", she says.

The ease of getting around the city has been part of Stockholm's appeal, Lovisa is always a metro ride away from her friends and good food. This has allowed her the convenience of living in southern Stockholm. She enjoys her neighbourhood's calm pace and green spaces like Långbroparken where Lovisa usually goes for walks. The neighbourhood reminds Lovisa of her hometown. "I moved from Nora to Haninge to Telefonplan then to St Eriksplan, then it was Bergshamra before I finally landed where I am now, in Fruängen. I have seen and lived in many parts, but I like the southern part most."

Lovisa still has three more years of study. After she finishes her programme, Lovisa hopes to stay in Stockholm. "I really like it here. There are so many possibilities. Three years ago, it all felt so new; now, I feel at home."



MAKING THE JOURNEY POSSIBLE



KIM WIDEGRIP

AREA MANAGER

KIM IS THE AREA MANAGER FOR RED LINE STATIONS. FOR THE PAST 6 YEARS HER MIND HAS BEEN SET ON IMPROVING CUSTOMER EXPERIENCE.

It is clear that Lovisa relies on the metro to travel around Stockholm, and it is our priority to make riding the metro a pleasant experience. This starts with hiring the best people for the job. We have a long recruitment process that helps us find candidates that share MTR's core values and dedication to customer service.

After they join us, we follow-up with coaching and leadership training to make sure they have the right kind of knowledge and they are delivering the right kind of service. We started internal mystery customer interaction surveys in 2013 and at first, our station staff were against being observed and rated by mystery customers. So we started engaging our station staff by role playing their customer interactions and discussing

customer expectations. This gets them to realise how customers want to be treated. We involved everyone and encouraged them talk and be proud of their results. Now, week by week, they're curious about their results, and often sit in small groups to compare and discuss how they can make sure that they can deliver even better service. This is healthy competition that is for the benefit of the customers and our employees.

Station staff take pride in their performance and we find from our employee survey that 98% of them are satisfied with their job. I think it's because they are growing within their role in the company. Our employees work hard, and I am extremely proud that one of the Red Line's station managers has received the Vision Mission Values Award two years in a row! Their level of dedication is something that is felt deeply. They want to make sure that every customer will have a great journey with us. As Louisa lives on the Red Line, she would know we transport the largest number of people. But the trains and tracks will not be upgraded until we change the signal system next year so customer service is especially important to make sure our customers are satisfied. It's clear that they appreciate our hard work in this area because despite being the most crowded and oldest line in Stockholm, they still choose to ride the Red Line over other forms of transport.



3

RAIL LINES



100

STATIONS



110KM

TOTAL ROUTE LENGTH



349MILLION

NUMBER OF ANNUAL
PASSENGER JOURNEYS



97.7%

TRAIN PUNCTUALITY



2,252

FULL-TIME EMPLOYEES

Stockholm Metro

The Stockholm Metro is our first operation in Sweden. MTR Tunnelbanan (MTRS), renamed from MTR Stockholm, continually invests in operational and customer service enhancements to satisfy passengers in this growing city. In February 2016, by acquiring shares from our joint-venture partner, we brought Stockholm metro's rolling stock maintenance fully under MTR management, and renamed Tunnelbanan Teknik Stockholm AB (TBT) to MTR Tech AB.

Stockholm's population is increasing at a rate of 40,000 residents per year, making it one of the fastest growing cities in Europe. In order to satisfy the transportation demands of this dynamic and expanding city, we are committed, under the terms of our operating franchise, to achieve high standards for safety, punctuality, cleanliness and customer service. We also work closely with the local authority to procure new technology for upgrading the metro system and to receive regular feedback on our performance.

Since taking over operation of the metro in 2009, MTRS has introduced a range of operational and customer service enhancements with visible achievements, including increasing the service punctuality from 92% to a record high of more than 97% this year. We continue our suicide prevention activities, and in 2016, we joined hands with the Municipality, the Police and other organisations to improve security in the metro system. Feedback from our customers regarding overall journey experiences continues to improve, reaching 81% in 2016.

These are only possible with a dedicated team that shares the same values and commitment to continual improvement. We are also achieving better cross-functional coordination between teams within our own organisation and with MTR Tech. In 2016, we were deeply gratified to learn through the results of our annual staff survey that staff morale is improving, now reaching 93%.

SHENZHEN, CHINA

MY JOURNEY TO CHILDREN'S PALACE

NAME: GUO DONG MING

OCCUPATION: CHINESE HERBALIST

STATION: CHILDREN'S PALACE



'IT'S HARD TO THINK OF SOMETHING PARTICULARLY SPECIAL ABOUT IT, BUT WHEN I'M NOT HERE, I REALLY MISS IT!'



Dongming is a Chinese herbalist providing professional pharmaceutical advisory services for different hospitals. He passes Children's Palace Station almost every day on his way to the Children's Hospital. He also likes to go to Children's Palace with his friends and family on the weekends.

"The area around Children's Palace Station is a great place for people to hang out. BookMall, Lianhuashan Park, Shenzhen Concert Hall, Shenzhen library and Children's Palace are all nearby. In the evening, there are street vendors, performers and artists. It's lively!"

Shenzhen has been through a swift and remarkable transformation. Dongming recalls when he first moved here with his family 15 years ago. "Shenzhen used to have low rise buildings and fallow fields. It experienced fast development and after opening the first subway line in 2004, that development sped up. When we first moved here, we were looking for a change. I grew up in rural areas and as a child, I gathered medicinal herbs, I was very interested in plants, so I naturally studied Chinese Medicine at university. After graduating, I settled into a stable job, life was easy. I started to feel like this wasn't the way that young people should live, so I decided to move to Shenzhen."

Dongming's son is now in high school. "We've been taking him to the BookMall, and the Children's Palace to see the models since his early childhood. Children are particularly interested in the universe and evolution. We took him to the bookstore, and now, mostly to the Shenzhen Library to read books. I also like reading. I used to pick up more professional books to prepare for the qualification exams. Now I read what interests me, books on culture and history. And collecting stuff is also a good way to help me destress. One of my collections is MTR tickets!"

Nowadays, Dongming has established his own home in Shenzhen and has fully integrated into Shenzhen life. "I feel like Shenzhen is an acquaintance. It's hard to think of something particularly special about it, but when I'm not here, I really miss it!"



MAKING THE JOURNEY POSSIBLE



CAI QI MING

TECHNICIAN
- STATION MAINTENANCE

QIMING WORKS IN THE STATION MAINTENANCE DEPARTMENT. THEY ARE RESPONSIBLE FOR THE INSPECTION AND MAINTENANCE OF THE AUTOMATIC FARE COLLECTION ("AFC") SYSTEM.

Every passenger uses the fare collection system and we are responsible for ensuring the system runs smoothly. Our work is mainly divided into corrective maintenance and preventive maintenance. To reduce equipment failure rates, we pay special attention to preventive maintenance. We have monthly inspections of the barrier gates and run bigger inspections every six months. If there are any gaps in barrier gates that are too wide, then, there's a risk that children will get their fingers caught.

Between 2015-2016, we added 60 ticket machines and gates to the Longhua Line to meet our operational needs. To tie in with the opening of Shenzhen Metro Phase Three Lines 7, 9, and 11, we upgraded our software for the entire Longhua Line AFC System,

updating the new sites and fares. Since the project involves fares, we need to handle things very carefully. On the night we input the new fares, we repeatedly verified the fares of nearly 200 stations along the line to make sure there were no errors. The workload was huge!

To ensure the service quality of our Fare Collection systems, we've set some indicators to track our commitment to passengers. If there's a failure with the system, the station will first report it to the maintenance engineering centre, and then to us. We split faults into four categories depending on the degree of emergency. The requirements for response time vary according to the failure category. Of course, the higher the number of passengers using the metro, the more likely there may be a disruption, and that increases the pressure on us. For example, the Children Palace Station is one of the busiest stations. However, this also provided us with opportunities to enhance our professional and integrated skills, and have a faster response time to any disruptions, and we're repairing them more quickly as well! Our customer service pledge is public and transparent, this year we have achieved all the targets; we're very happy about this!

Although passengers like Dongming may not notice our work, I see this as the best compliment. It means passengers don't need our assistance, and their journey is smooth.



1

RAIL LINES



15

STATIONS



20.5KM

TOTAL ROUTE LENGTH



199MILLION

NUMBER OF ANNUAL
PASSENGER JOURNEYS



99.95%

TRAIN PUNCTUALITY



1,358

FULL-TIME EMPLOYEES

Shenzhen Metro Line 4 (Longhua Line)

MTR operates rail lines in various cities in the Mainland of China. MTR (Shenzhen) is a wholly-owned subsidiary that has operated the Shenzhen Line 4, also known as the Longhua Line, since July 2010. Our service runs north-south from an interconnection with the East Rail Line in Hong Kong at the Futian Checkpoint to Qinghu in the Longhua New District. It intersects with four lines in the Shenzhen metro network that are managed by another operator. It connects passengers to the Shenzhen metro network and accounts for 17% of total patronage.

With Shenzhen's development and population growth, Longhua New District, which was traditionally a less developed part of the city, is now a popular residential area partly due to its good connectivity with the rest of the city through the Shenzhen metro network. To cope with the increased patronage, we have converted all trains from 4- to 6-cars in 2015. In 2016, we have added 300 train trips per month, and reduced train headway during peak hours to 2.5 minute, further increasing the overall capacity. Amidst these enhancements, in 2016, MTR (SZ) has achieved 99.99% of passenger journeys on time, 99.95% train punctuality and 99.96% train service delivery, our best performance so far.

We also seek to enhance customer service, including enhancing signage and the ticketing system, and increasing the number of platform assistants during peak hours to assist customers. Internally, we have provided more customer service training to our staff, and conducted "secret customers" reviews. We are the only operator in Shenzhen to announce our customer service pledge, demonstrating our commitment to delivering safe and reliable services to our customers.

2016 marked the fifth year of our operations of Shenzhen Line 4. We have witnessed the city's growth and are honoured that we have played a part in its development.

LONDON, UNITED KINGDOM

MY JOURNEY TO STRATFORD

NAME: IAN GILL
OCCUPATION: CONSULTANT
STATION: STRATFORD



'I REMEMBER THE FIRST TIME I CAME HERE. I THOUGHT, OH, THIS IS QUITE NICE. IT WOULDN'T BE BAD IF WE LIVE HERE.'



"We're first time buyers and we've bought a flat in Stratford." Ian is thrilled to talk about his new home. Stratford was a quiet suburb 10 km from the centre of London not long ago and is now a thriving part of the capital city.

"To be honest, I'd never been to Stratford until the Olympics. Back in the day, when you look at Stratford on the map, it was a small area on the east of London. There was nothing in the area to attract visitors. I didn't have any friends who lived there." Ian recalls.

Everything changed in Stratford as the Olympics pumped new life into that underused suburb. Ever since London won the bid to host the 2012 Olympics, sports investment poured into the district which featured the London Stadium and the London Aquatics Centre for the Olympics. "It's all new built development now. Everything is happening in this up-and-coming area, which means lots of young professionals are moving here. It's going to be a good community with a good culture. I remember the first time I came here to watch the Olympics. I thought, oh, this is quite nice. It wouldn't be bad if we lived here." Ian smiles.

"Stratford is something unique in London. It's convenient to get to the centre but still I can maintain an outdoor life here, like running and cycling in the park. It's great to be able to leave my work life in the city and be transported to my home life in a leafy suburb. It's so different to, yet so close to the city. When the Elizabeth Line opens, it will be just 15 minutes to work!" Ian exclaims.

With the on-going development projects in and around the Olympic Park in Stratford, Ian sees himself staying there for at least 5 to 10 years. "We will then have to reevaluate where we would like to move. I think it would be a suburban area that is even further away from London but it will still need a good train link. Buying a flat is basically buying an asset. As first time home buyers, the thing we looked at more than anything else was resale value. So in ten years, if we sell our flat, we'll get more than what we bought it for. The thing that holds value here is really the infrastructure, transport and communications links." Ian explains with confidence.



MAKING THE JOURNEY POSSIBLE



CHRIS LOVEGROVE

MTR CROSSRAIL DRIVING
INSTRUCTOR

CHRIS HAS BEEN A TRAIN DRIVER
FOR ABOUT SIX YEARS BEFORE
MOVING INTO THIS NEW INSTRUCTOR
ROLE IN 2016.

Like Ian, everyone is excited about Elizabeth line because it cuts through London city centre, and provides a direct route to many of the busiest stations, all the way to Heathrow. As the construction is being completed in phases, it now falls on the drivers to take customers on this new route.

As a train driver, we don't always get noticed that much, but it is certainly nice when we do! Customers aren't always able to tell the difference between a good and bad driver. But, we know there's meaning in our job. We go to work with a sense of mission and discipline every day, making sure we take a lot of people to work and back home safely.

This gives us quite a bit of meaning, and makes the early morning or late evening shifts certainly worth it.

New recruits go through a stringent nine-month training programme to become a qualified train driver. The new recruits learn theories, rules of the railway, how the trains work, and so on before we put them in the seat with us and teach them how to drive. In the driver's cabinet, we show them where the stations are, when they need to start braking, how to take power, and how to stop. We are there to familiarise them with the route and ensure nothing goes wrong. The driver trainees then go back to the classroom to learn how to handle emergencies before they return to the driver's cabinet and get ready to be a train driver.

The new Elizabeth line is exciting to us for another reason - we will have new trains coming in! Everyone is looking forward to the training. We introduced a simulator recently to put drivers in situations that don't normally happen when we're training on the railway. It gives them some insight into the responsibility of driving a train under different situations.

It will be quite interesting for the next few years. When Ian moves in to his new home, he'll be served by the new drivers on new trains! So far, I've trained 12 qualified drivers, soon many on Elizabeth line will have been trained by me, it's like building a legacy, it makes me proud!



1

RAIL LINES



14

STATIONS



32.5KM

TOTAL ROUTE LENGTH

FULL SERVICE EXPECTED TO COMMENCE IN DECEMBER 2019



118KM

TOTAL ROUTE LENGTH



94.1%

TRAIN PUNCTUALITY



859

FULL-TIME EMPLOYEES (INCLUDING CONTRACTORS)

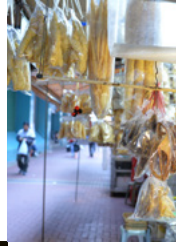
TfL Rail/Elizabeth Line

MTR Corporation (Crossrail) Limited ("MTR Crossrail") has been operating the Liverpool Street and Shenfield route on the new Elizabeth Line (initially referred to as "Crossrail") since 31 May 2015, under the interim brand banner of TfL-Rail; additional Elizabeth Line services will be introduced in phases as work proceeds on the building of the new tunnels and stations, existing stations are upgraded and new trains brought into service. Full service of the Line will commence by the end of 2019.

Significant improvement in train service and punctuality has been achieved in the short period of time since we took over the operation. Within the first six months, together with our partner, we have successfully completed the Fleet Refreshment Programme which fully refreshed and rebranded the existing Class 315 fleet, including visible modifications such as exterior livery design, new interior panels, seat cushions and overall train presentation improvements. Additionally, fleet reliability has increased significantly by eliminating long-term inherited faults and identifying the root causes of incidents to prevent recurrence.

We seek to deliver more than just reliable service. To create a personalised service by listening and responding to the views of passengers is one of the aims of MTR Crossrail. Our Community Ambassadors work on developing relations with local communities in and around every station. In 2016, we held a number of community roadshows to respond directly to queries raised by residents and discuss a number of topics including barrier-free access facilities, planned closures, scheduled works and rail safety. These initiatives help build stronger relationships with our local stakeholders, as well as enable us to keep our customers engaged and informed.

Through concerted efforts, passenger surveys in 2016 show that we have achieved marked improvements in punctuality and reliability of trains, cleanliness, upkeep and repair, as well as the management of delays.



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