



MTR Corporation

2017 Annual Results

8 March 2018

Forward-looking statements

Certain statements contained in this presentation may be viewed as forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.



Results Highlights and Business Overview

Mr. Lincoln Leong, CEO

Building on Success

Steady Financial Results

- **Recurrent profits** down by 3.8%, as expected, impacted by higher costs after the opening of the new rail lines in Hong Kong
- **Underlying profits** up 11.3% due to the booking of property development profits from Tiara in Shenzhen and from sundry sources in Hong Kong

Good Operational Achievements

- **Hong Kong**
 - World class safety and services performance
 - Early review of Fare Adjustment Mechanism (FAM) concluded
 - Station commercial and property rental – reasonable growth supported by rental increases
 - New retail space at Telford Plaza II and Maritime Square 2
 - Pre-sales of LOHAS Park Package 4 and tenders of Wong Chuk Hang Station Packages 1 & 2
- **Mainland of China and international businesses**
 - Good operational and financial results

Delivering on Growth Strategy

- **Hong Kong**
 - Rail Gen 2.0 – Good progress on Express Rail Link (XRL) and Shatin to Central Link (SCL)
 - Railway Development Strategy 2014 (RDS 2014)
 - Proposed developments above Siu Ho Wan depot and Yau Tong Ventilation Building
- **Mainland of China and international businesses**
 - Concession Agreement signed for Hangzhou Metro Line 5
 - Takeover of operation of South Western Railway franchise in the United Kingdom
 - Melbourne metro franchise extended with new concession
 - Bid preparation for a number of rail concessions and rail related property developments in Mainland of China, Europe, Australia and Canada

Financial Highlights

Contribution from Recurrent Businesses

2017 (HK\$m)	Recurrent Businesses		
	Hong Kong ⁽¹⁾	Outside of Hong Kong	Total
Revenue	31,454	16,990	48,444
Change (YoY)	3.6%	26.1%	10.5%
Recurrent profits	7,701	879 ⁽²⁾	8,580
Change (YoY)	(8.3)%	70.3%	(3.8)%

Net Profit

(HK\$m)	2017	Change (YoY)
Profit from recurrent businesses ⁽²⁾	8,580	(3.8)%
Post-tax profit from property development		
Hong Kong	916	243.1%
Mainland of China	1,019	287.5%
Sub-total	1,935	265.1%
Profit from underlying businesses ⁽²⁾	10,515	11.3%
Investment property revaluation	6,314	681.4%
Report net profit attributable to shareholders of the company ⁽²⁾	16,829	64.1%
Reported EPS (HK\$) ⁽²⁾	2.83	62.6%
Underlying businesses EPS (HK\$) ⁽²⁾	1.77	9.9%
Ordinary dividend per share (HK\$)	1.12	4.7%

1. Hong Kong recurrent businesses include HK transport operations, HK station commercial, HK property rental and mgt, other businesses (mainly project management services to Gov't, Ngong Ping 360, and consultancy) and project studies and business development expenses

2. Net of non-controlling interests (2017: HK\$56m; 2016: HK\$94m)



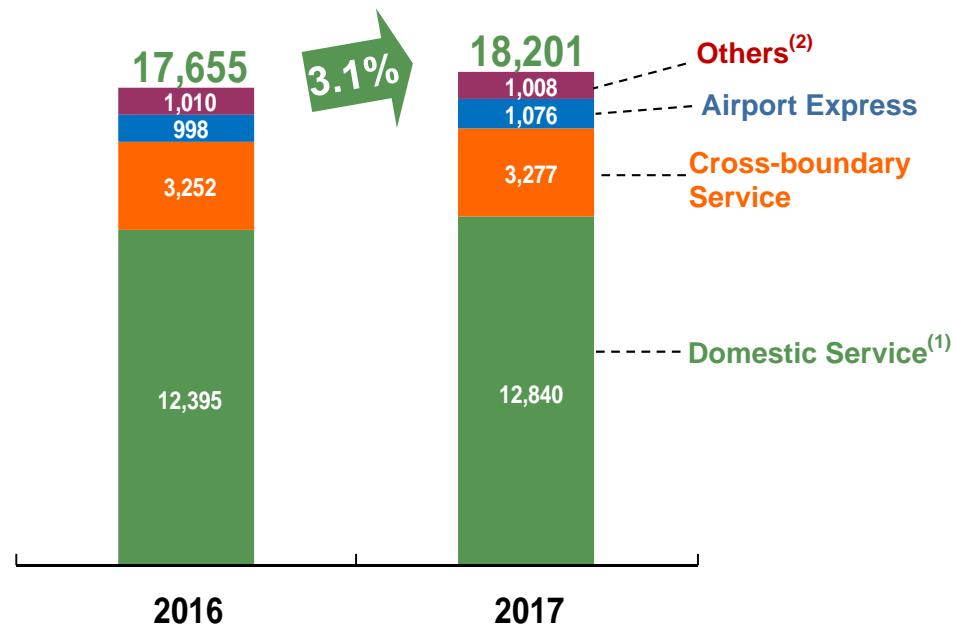
Hong Kong Transport Operations

Hong Kong Transport Operations

Total Patronage: **2 billion** ↑ 2.6%

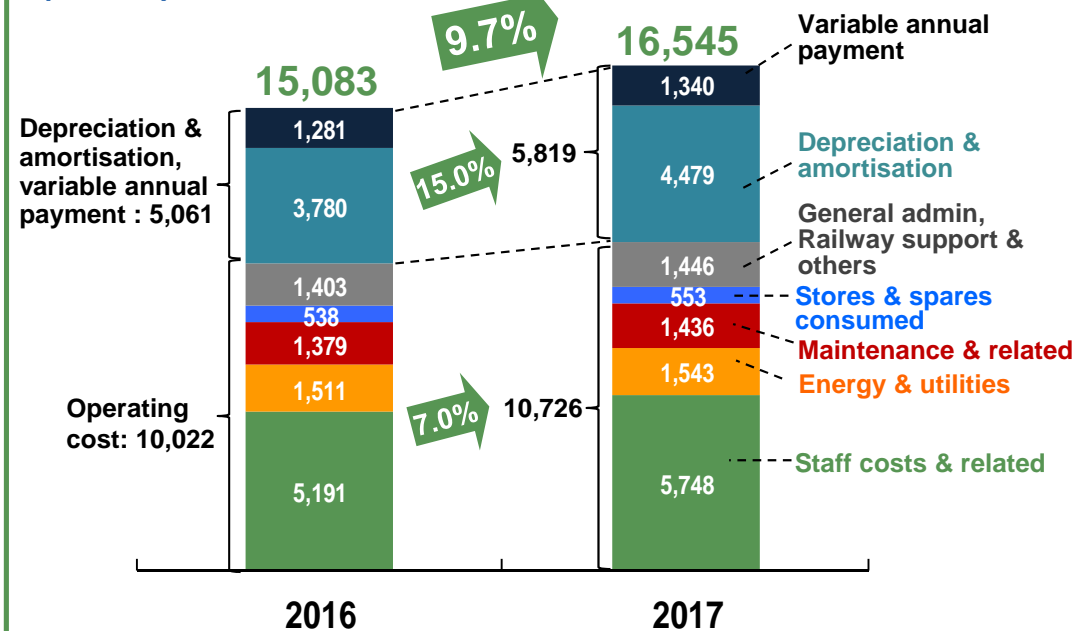
Revenue

(HK\$m)



Cost

(HK\$m)



EBITDA:
HK\$7,475m

↓ 2.1%

Margin:
41.1%

↓ 2.1% pts

EBIT⁽³⁾:
HK\$1,656m

↓ 35.6%

Margin:
9.1%

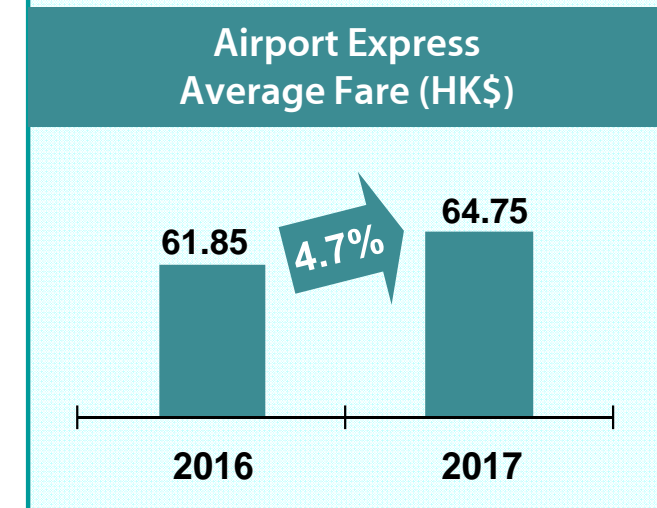
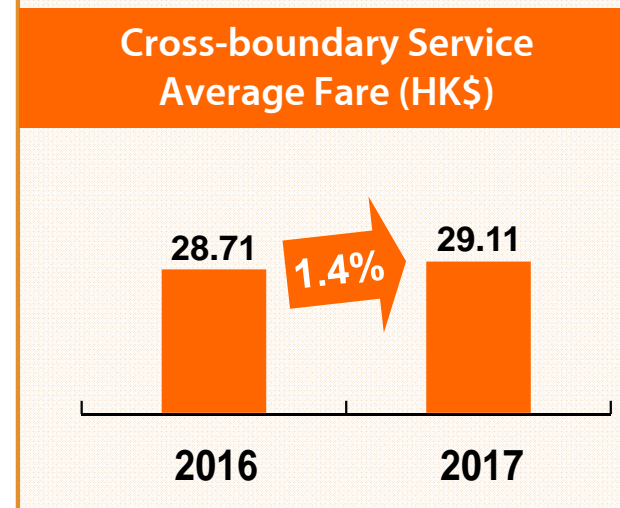
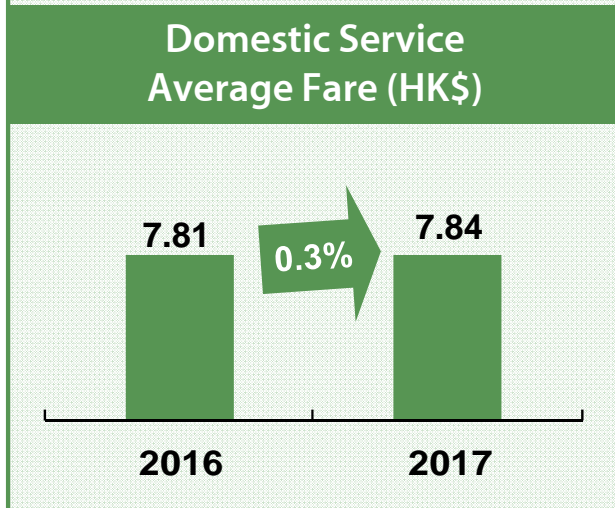
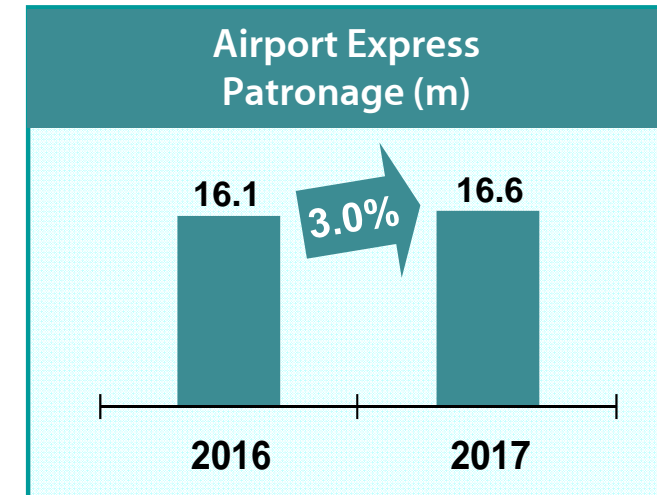
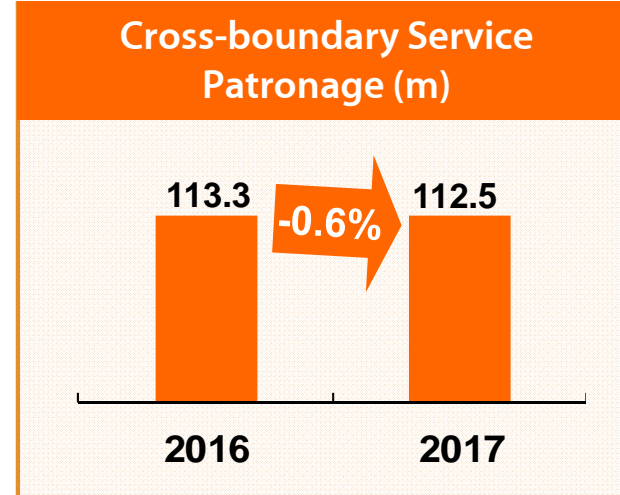
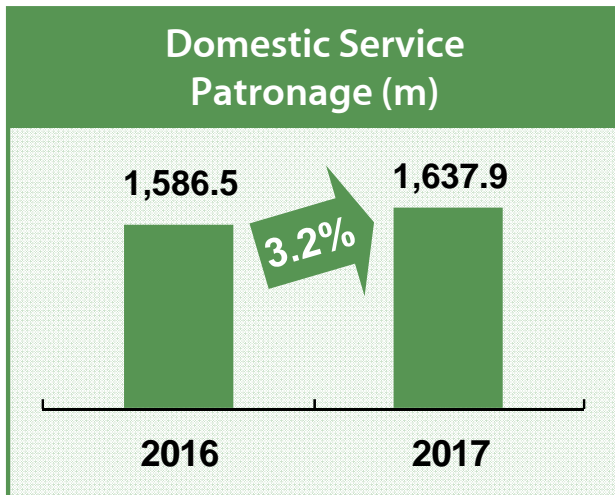
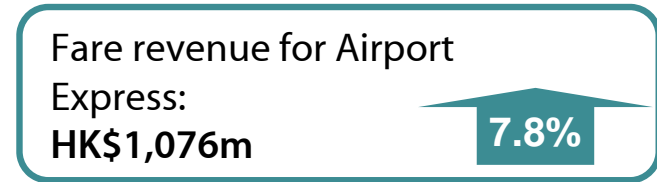
↓ 5.5% pts

1. Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines

2. Others comprise Light Rail, Bus, Intercity and other rail related income

3. After depreciation, amortisation and variable annual payment to KCRC

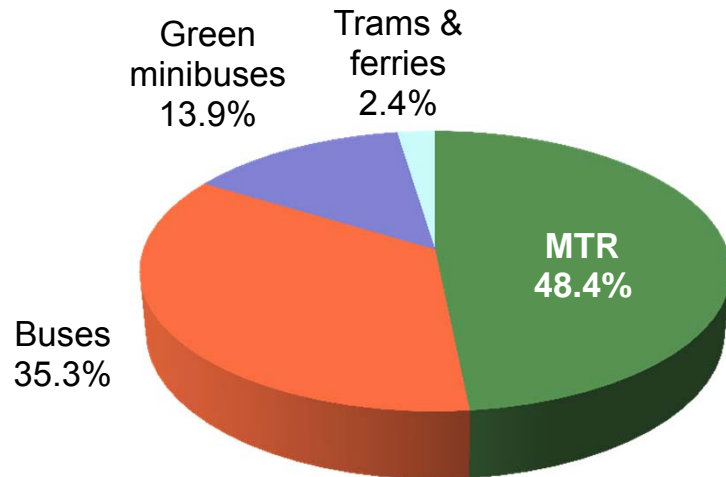
Revenue from Hong Kong Transport Operations



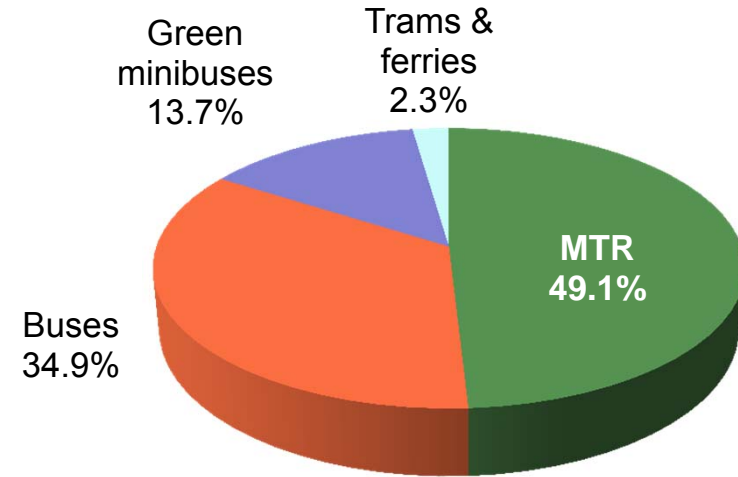
1. Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines

Market Share

Hong Kong Franchised Public Transport

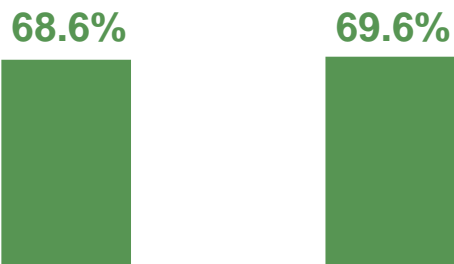


Jan – Dec 2016

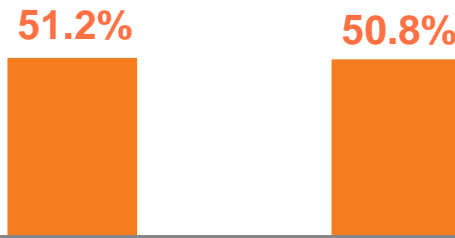


Jan – Dec 2017

Cross-harbour



Cross-boundary



Airport Express



Jan-Dec 2016

Jan-Dec 2017

Jan-Dec 2016

Jan-Dec 2017

Jan-Dec 2016⁽¹⁾

Jan-Dec 2017⁽¹⁾

Sources: The Transport Department / Immigration Department / Airport Authority Hong Kong

1. Calculation based on the proportion of air passenger using Airport Express over the total air passenger figures reported by the Airport Authority Hong Kong

Hong Kong Station Commercial Businesses



Hong Kong Station Commercial Businesses

Revenue: HK\$5,975m
↑ 7.8%

Operating Cost: HK\$501m
↓ 5.8%

EBITDA: HK\$5,474m
↑ 9.2%

Margin: 91.6%
↑ 1.2%pts

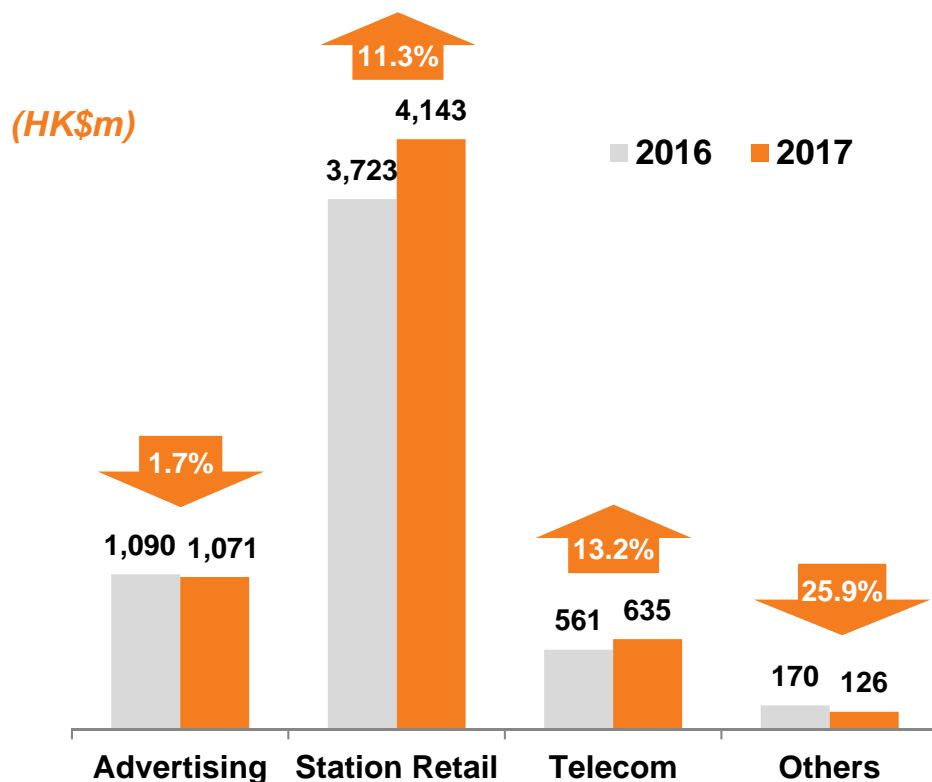
Depreciation & Amortisation: HK\$163m
↑ 10.1%

Variable Annual Payment: HK\$589m
↑ 17.3%

EBIT⁽¹⁾: HK\$4,722m
↑ 8.3%

Margin: 79.0%
↑ 0.3%pt

Revenue



- **Advertising** business slightly impacted by a downturn in overall advertising spend
- **Station retail**
 - Revenue increased attributable to
 - positive rental reversion
 - increase in retail space
 - increase in Duty Free Shop rents in line with new and existing leases
 - 1,416 shops and 58,716 sqm station retail space as at 31 Dec 2017
- **Telecom** revenue increased mainly due to incremental revenue from new rail lines, new service contracts and capacity enhancement projects
- **Operating cost** reduced due to lower sales volume and hence cost of sales for theme park tickets

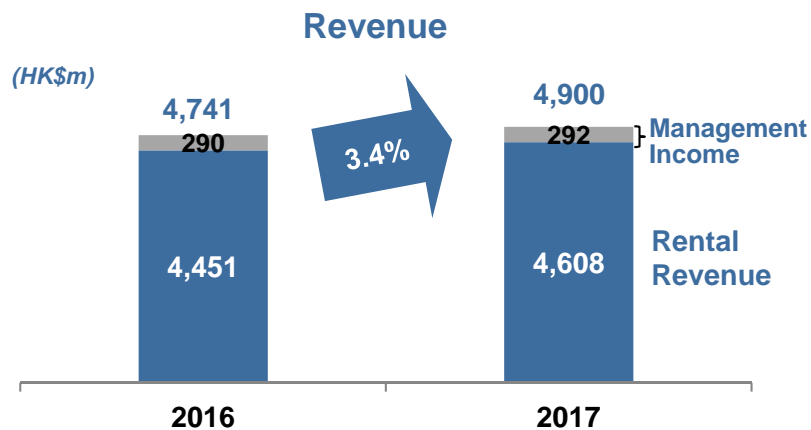
1. After depreciation, amortisation and variable annual payment to KCRC



Hong Kong Property Businesses

Hong Kong Property Rental and Management Businesses

Revenue: HK\$4,900m ↑ 3.4%	Operating Cost: HK\$802m ↓ 1.1%	EBITDA: HK\$4,098m ↑ 4.3%	Margin: 83.6% ↑ 0.7%pt	Depreciation & Amortisation: HK\$12m ↓ 14.3%	Variable Annual Payment: HK\$4m --- No Change ---	EBIT ⁽¹⁾ : HK\$4,082m ↑ 4.3%	Margin: 83.3% ↑ 0.8%pt
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- Rental reversion recorded a 1.7% drop at shopping malls
- 13 MTR shopping malls and 18 floors at Two IFC were ~100% let as at 31 Dec 2017
- Increase in retail lettable floor area (LFA) of 8,845 sqm⁽²⁾ from the opening of
 - Converted retail space at Telford Plaza II in Jul 2017
 - Maritime Square 2 in Dec 2017
- Investment properties LFA – 31 Dec 2017
 - HK Retail: **218,251** sqm⁽²⁾
 - HK Offices: **39,410** sqm⁽²⁾
 - Others: **17,764** sqm⁽²⁾
- Operating cost reduced mainly due to a provision made in 2016 which was not repeated in 2017

1. After depreciation, amortisation and variable annual payment to KCRC
2. Lettable floor area attributable to MTR



Maritime Square 2



Shops at Telford Plaza II

Hong Kong Property Development

Development Profit

- Pre-tax profits of **HK\$1,097 million** from sundry sources such as agency fee income, sale of inventory units and car parking spaces, as well as finalisation of development accounts

Property Tender

- MTR - Wong Chuk Hang Station Package 1 and 2 (Total ~1,400 units)
- As agent for KCRC - Kam Sheung Road Station Package 1 (~600 units)

Pre-sale of Property Development Project

Property Development	Launched	Units sold (End-Dec 2017)
■ MTR		
Wings at Sea II (LOHAS Park Package 4)	Oct 2017	36 % of 1,132 units sold
Wings at Sea (LOHAS Park Package 4)	Sep 2017	97 % of 1,040 units sold
■ As Agent for KCRC		
PARC CITY (Tsuen Wan West Station (TW5) Cityside site)	Aug 2017	All 953 units sold
Ocean Supreme (Tsuen Wan West Station (TW5) Bayside site)	Jul 2017	87% of 1,436 units sold
Ocean Pride (Tsuen Wan West Station (TW5) Bayside site)	May 2017	99% of 970 units sold
Cullinan West II (Nam Cheong Station)	Nov 2017	44% of 1,188 units sold
Cullinan West (Nam Cheong Station)	Mar 2017	92% of 1,050 units sold
THE PAVILIA BAY (Tsuen Wan West Station (TW6) site)	Jan 2017	98% of 983 units
The Spectra (Long Ping Station (North) site)	Mar 2016	96% of 912 units sold



Wong Chuk Hang Station Site



Wings at Sea/ Wings at Sea II (LOHAS Park Package 4)



**Strategy Achievement –
Growth in Hong Kong**

Rail Projects under Project Management

Express Rail Link



Progress Achieved (as at end-Dec 2017)

- Civil works at West Kowloon Station 97.8% complete
- Works in the Customs, Immigration & Quarantine (CIQ) areas under the purview of the Corporation are in line with programme, but the timely completion of all the CIQ facilities remains on the critical path
- All tracks in tunnels laid and overhead lines energised
- Cross-boundary dynamic testing completed in Dec 2017 and trial operations expected to commence in 2Q 2018

Target Completion and Project Cost Estimates

- Completion timetable remains in 3Q 2018, with project cost estimate at HK\$84.42 billion
- In discussion with Government regarding the future operation and maintenance arrangements



West Kowloon Station



Photomontage of West Kowloon Station

Overall

98.6% complete

Rail Projects under Project Management

Shatin to Central Link (SCL)



Overall project 81.2% complete (as at end-Dec 2017)

East West Corridor (EWL)

Progress Achieved

- All civil and structural works substantially completed
- Steady progress on electrical & mechanical works and interior fitting out works in stations on this line

Target Completion

- Originally announced 11-month delay resulting from the discovery of archaeological relics in To Kwa Wan area
- Partially recovered due to successful delay recovery measures; target completion now advanced to mid-2019



Kai Tak Station



Hung Hom station

EWL

93.9% complete

Rail Projects under Project Management

Shatin to Central Link



North South Corridor (NSL)

Progress Achieved

- All tunnel boring excavation works completed
- 9 of 11 immersed tubes for the cross-harbour rail tunnel installed as by Feb 2018
- Exhibition Centre Station about 54.8% complete

Major Challenges

- The major challenge remains the timely completion of works at Exhibition Centre Station

Target Completion

- As announced previously a total delay of 9 months expected due to late handover of work sites for new Exhibition Centre Station and incomplete entrusted works handed over at another site at Wan Chai North
- Target completion remains in 2021



Causeway Bay Typhoon Shelter



Construction Site of SCL at Wan Chai North

NSL

63.6% complete

Rail Projects under Project Management

Shatin to Central Link



SCL Entrustment Agreements

- Detailed review of the latest estimated Cost to Complete submitted to Government on 5 Dec 2017
- Latest estimate increased by HK\$16.5 billion from original HK\$70.8 billion to HK\$87.3 billion; 23% increase
- According to our estimate (net of contingencies), ~70% of the increase due to “external factors”

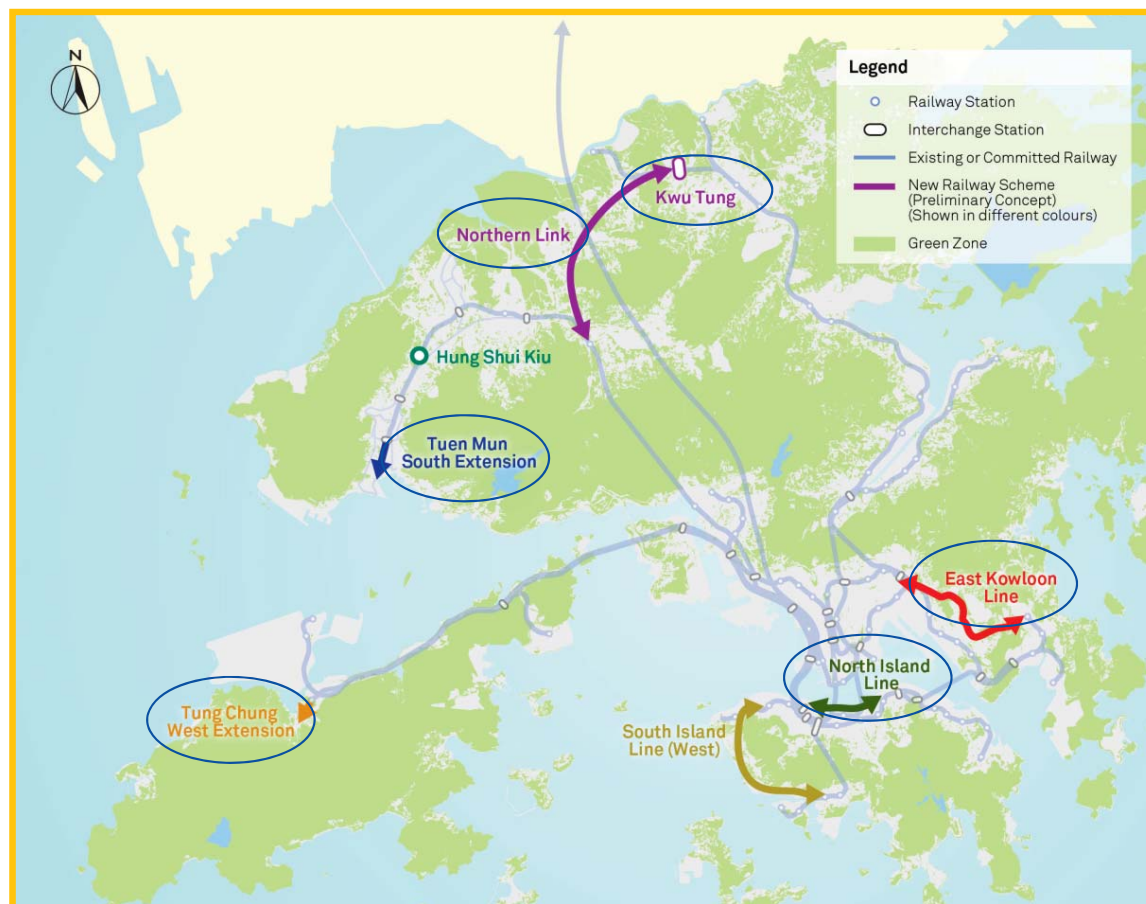


Overall 81.2% complete

Railway Development Strategy 2014

A total of 7 new railway projects of which:

- **Tuen Mun South Extension:** Proposal submitted
- **Northern Link (and Kwu Tung Station):** Proposal submitted
- **East Kowloon Line:** Proposal submitted
- **Tung Chung West Extension (Tung Chung East Station):** Proposal submitted
- **North Island Line:** Proposal to be submitted in second half of 2018



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

New Investment Property Initiatives

34% increase in attributable GFA of existing retail portfolio



An artist's impression of LOHAS Mall

LOHAS Park Shopping Mall

GFA: 44,500sqm

Expected project completion: End-2020

25% complete



Tai Wai Shopping Mall

GFA: 60,620sqm

Expected project completion: 2022

15% complete



An artist's impression of Tai Wai Mall

Hong Kong Property Development

Tendered MTR developments: Over 18,000 residential units (GFA : over 1.15 million sqm)

Property Tender	Date of Tender Award	Developer partner (a subsidiary of)	Residential Gross Floor Area (sq m)	Units	Latest Project Status			
					Design	Foundation works	Super-structure	Pre-sale
LOHAS Park Package 4	Apr 2014	Sun Hung Kai	122,302	~2,170	Completed	Completed	In progress	In progress
Tai Wai Station	Oct 2014	New World	190,480	~3,090	Completed	In progress	In progress	
LOHAS Park Package 5	Nov 2014	Wheelock	102,336	~1,600	Completed	Completed	In progress	
LOHAS Park Package 6	Jan 2015	Nan Fung	136,970	~2,390	Completed	Completed	In progress	
Tin Wing Stop	Feb 2015	Sun Hung Kai	91,051	~1,940	Completed	In progress		
LOHAS Park Package 7	Jun 2015	Wheelock	70,260	=<1,250	Completed	Completed	In progress	
LOHAS Park Package 8	Oct 2015	Cheung Kong	97,000	=<1,430	Completed			
LOHAS Park Package 9	Dec 2015	Wheelock	104,110	=<1,780	Completed	Completed		
LOHAS Park Package 10	Mar 2016	Nan Fung	75,400	=<1,170	Completed	Completed		
Ho Man Tin Station Package 1	Dec 2016	Goldin Financial	69,000	800-1,000	In progress			
Wong Chuk Hang Station Package 1	Feb 2017	Road King Infrastructure & Ping An Real Estate	53,600	800	In progress			
Wong Chuk Hang Station Package 2	Dec 2017	Sino Land & Kerry Properties	45,800	600	In progress			

Hong Kong Property Development

Siu Ho Wan Depot, Lantau Island

- ~14,000 residential units, subject to necessary zoning and other statutory approvals
- Environmental Impact Assessment approved by Government in Nov 2017
- Draft Outline Zoning Plan agreed by Town Planning Board on 5 Jan 2018 for district council consultations in Jan and Feb 2018



Siu Ho Wan Depot, Lantau Island

Yau Tong Ventilation Building Site, Kowloon

- ~500 residential units
- Rezoning process completed in Apr 2017
- Gazetted road works scheme approved in Aug 2017



Yau Tong Ventilation Building Site

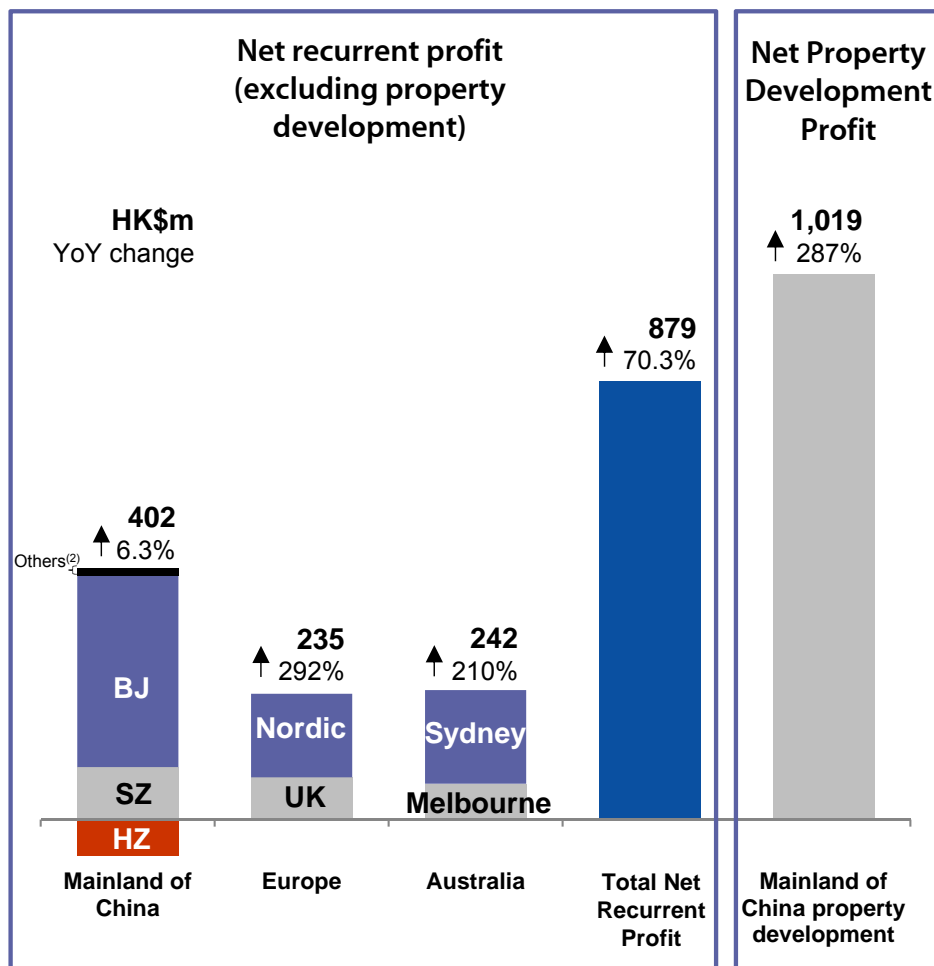


Mainland of China & International Businesses



Mainland of China and International Businesses

Net profit (including property development)⁽¹⁾ : **HK\$1,898m** **144%**



Recurrent

Mainland of China

- **Beijing MTR** – good operational and financial performance
- **MTR Shenzhen** – decline in profit due to higher operating expenses
- **Hangzhou MTR** – share of loss worsened due to one-off provision

Europe

- **MTR Pendeltågen, Sweden** – takeover in Dec 2016 and full year contribution in 2017
- **South Western Rail franchise, UK** – contribution since our takeover in Aug 2017
- **MTR Express, Sweden** – making every effort to improve financial results

Australia

- **Sydney Metro North West (SMNW)** - Initial profit recognition from project design and delivery phase
- **Metro Trains Melbourne (MTM)** – decrease in net profit mainly due to increased operating cost in operation activities

Property Development

Mainland of China Property Development

- **Tiara, Shenzhen** - Profit bookings with handover of high-rise and podium units

1. On attributable basis comprising net profit from Mainland of China and international business (MC&IB) subsidiaries net of non-controlling interests, and share of profit or loss from MC&IB associates and joint venture

2. Mainland of China Property rental and management

Mainland of China Businesses – Current Operations

Beijing

- **Beijing Metro Line 4 and Daxing Line, PPP**
 - Patronage: 451 million up 2.1% (1.3 million/ weekday)
- **Beijing Metro Line 14, PPP**
 - Patronage: 220 million up 14.7% (687,000/ weekday)
- **Beijing Metro Line 16, PPP**
 - Patronage: 25 million (77,000/ weekday)
- **Contribution to MTR**
 - HK\$358 million

Hangzhou

- **Hangzhou Metro Line 1, PPP**
 - Patronage: 225 million up 13.4% (616,000/ weekday)
- **Hangzhou Metro Line 5, PPP**
 - Signed concession agreement on 26 Jun 2017
 - 25 years PPP concession
 - Route length: 51.5km (38 stations)
 - Joint venture between MTR (60%) and Hangzhou Metro (40%)
 - Total investment by joint venture: RMB 10.9 billion
 - MTR's 60% equity investment: RMB 2.6 billion
 - To commence operation around end-2019
- **Contribution to MTR**
 - Share of loss increased to HK\$68 million

Tianjin TJ-Metro MTR Construction (Tianjin MTR)

- Signed framework agreement with Beijing Capital Land to dispose of all our 49% interest in Tianjin MTR
- Conditional future acquisition of shopping centre of ~90,000 sqm on Beiyunhe site
- Sale and purchase agreement for the shopping centre signed on 26 Jan 2018

Shenzhen

- **Shenzhen Metro Line 4, PPP**
 - Patronage: 210 million up 5.4% (580,000/ weekday)
- **Contribution to MTR**
 - HK\$98 million, down 24.6% YoY

International - Current Operations

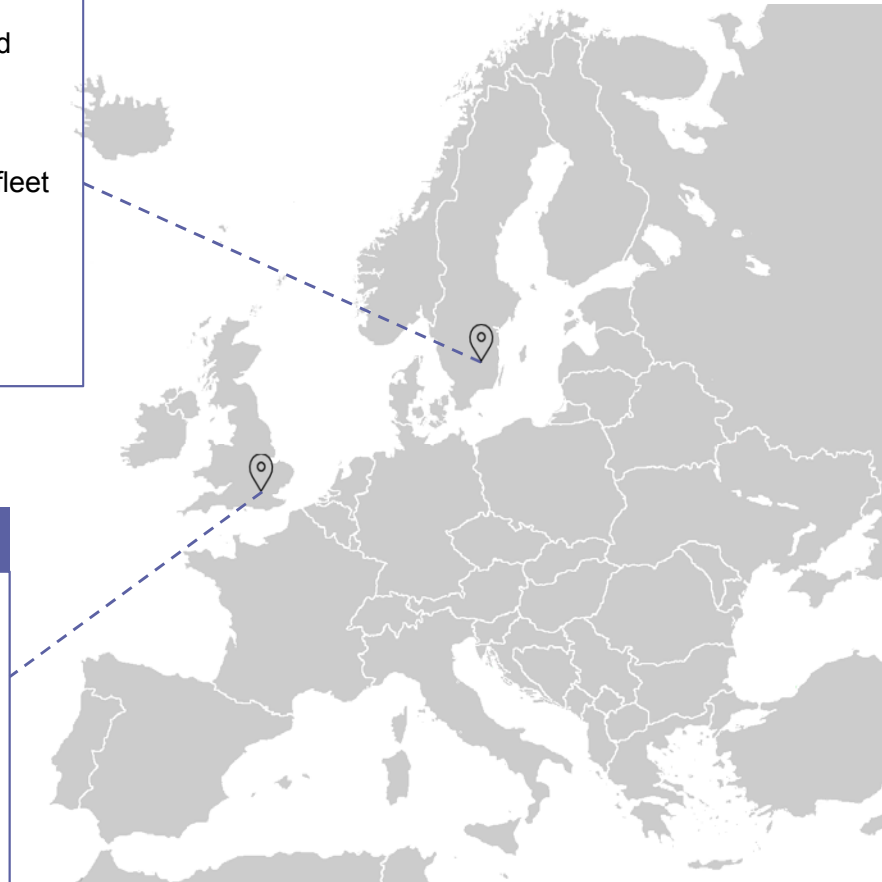
Europe

Sweden

- **Stockholm Metro**
 - New highs recorded for operational performance and customer satisfaction
- **MTR Tech**
 - Rolling stock maintenance for Stockholm Metro
 - Awarded contract for mid-life upgrade of part of the fleet
- **MTR Express**
 - Passenger numbers continue to increase
 - Making every effort to improve financial results
- **Stockholms Commuter Rail (MTR Pendeltågen)**
 - Operation began in Dec 2016

United Kingdom

- **TfL Rail/ Elizabeth Line (MTR Crossrail)**
 - Currently operating the initial phase of services
 - Services between Paddington Station and Heathrow Airport will start later this year
 - Operation of tunnel section through central London scheduled to commence in Dec 2018 (to be renamed Elizabeth Line at the same time)
- **South Western Railway franchise**
 - Takeover of the franchise in Aug 2017
 - MTR (30%) and FirstGroup (70%)



International – Current Operations

Australia



Sydney Metro Northwest (SMNW)

- Construction works for the depot and stations, and pre-operational planning are progressing
- First train delivered in Sep 2017 and undergoing testing

Metro Trains Melbourne (MTM)

- The original concession ended in Nov 2017
- Awarded a New concession for 7 years (plus a 3-year extension option)
- The new concession commenced at end-Nov 2017

An aerial photograph of a city, likely Copenhagen, featuring a large bridge with a red train and a blue tram crossing over a body of water. In the background, a prominent church spire and other city buildings are visible under a clear sky. A semi-transparent purple box is overlaid on the left side of the image, containing white text.

Growth Initiatives in Mainland of China & International Businesses

Mainland of China and Macau Businesses – Growth Initiatives

Beijing

- **Cooperation Framework Agreement** signed with Beijing Infrastructure Investment Corporation (BIIC) in Nov 2016
 - Joint preliminary studies on property developments along BJL4/ Daxing line (inc Nanzhaolu depot)
- **Letter of Intent** signed with BIIC in Jan 2017
 - Extended strategic cooperation to other rail-related property development projects
- **Letter of Intent** signed with Daxing District People’s Government of Beijing Municipality and BIIC in Nov 2017
 - Studies on the southward extension of Beijing Daxing Line, Nanzhaolu Depot capacity expansion and integrated property development

Hangzhou - Another PPP Rail Project

- In discussion on another PPP rail project
- Exploring rail related property development

Guangdong-Hong Kong-Macau Bay Area

- Exploring rail and property development opportunities around stations and depots

Chengdu

- **Letter of Intent** signed with Chengdu Rail Transit Group covering strategic cooperation

Macau Light Rapid Transit (MLRT)

- **Contract for project management and technical assistance** for rail and depot awarded in 2016

International – Growth Initiatives

Europe

West Coast Partnership Franchise

- O&M concession for West Coast Main Line from Apr 2019 to 2026; subsequent operation of new High Speed Two (HS2) line
- An associated company of China Railway Corporation is a minority partner
- Invitation to tender expected to be released in 1Q 2018

Wales and Borders Rail Franchise

- Partnered with BAM Nuttall for project management element of the bid
- O&M concession for 15 years and project management of upgrade of core valley lines in Cardiff
- Bid submitted in Dec 2017 and decision expected in 2Q 2018

Traffic Package South in Norway

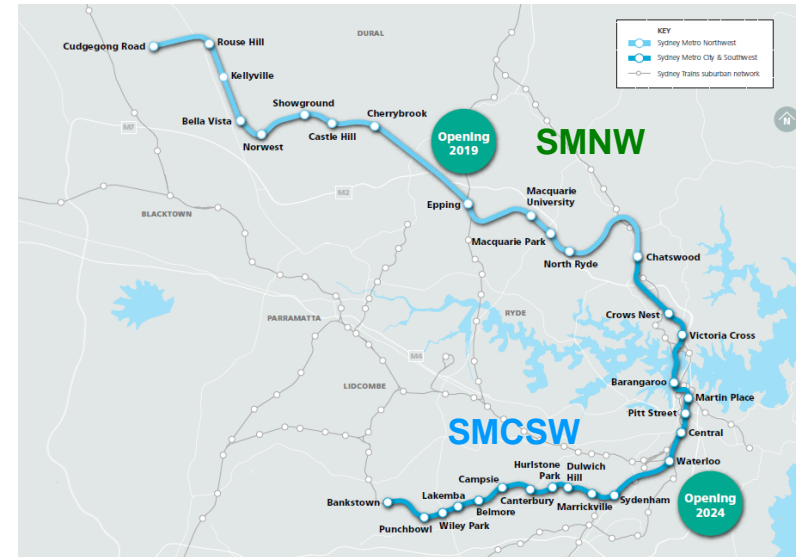
- Led 100% by MTR Nordic
- 7 year O&M concession in southern Norway
- Bid submitted in March 2018; decision expected in 3Q 2018

International – Growth Initiatives

Australia

Sydney Metro City Southwest (SMCSW)

- 30km extension of SMNW; early works commenced by Transport for New South Wales (TfNSW)
- Entered into a commitment deed with TfNSW in Dec 2017, allowing us to submit a final proposal to deliver and integrate trains and systems, as well as operate the line



Sydney Metro Alignment from Sydney Metro Industry Briefing

Canada



Existing system map from Go Transit

Toronto Regional Express Rail

- Pre-qualified as a potential operator in Dec 2017
- The project will transform the existing GO Transit diesel-rail commuter system into an electrified railway network in Greater Toronto and Hamilton area
- Bid process to start later this year



Financial Results

Mr. Herbert L.W. Hui, Finance Director

Consolidated Profit and Loss Account

	<u>2017</u>	<u>2016</u>	<u>Favourable/ (adverse) change</u>	
(HK\$m)			HK\$m	%
HK transport operations	18,201	17,655	546	3.1
HK station commercial and HK property rental & management businesses	10,875	10,285	590	5.7
Mainland of China & international railway, property rental and management subsidiaries	16,990	13,478	3,512	26.1
Other businesses	2,378	2,423	(45)	(1.9)
	<u>48,444</u>	<u>43,841</u>	4,603	10.5
Mainland of China property development	6,996	1,348	5,648	419.0
Total revenue	55,440	45,189	10,251	22.7
Operating expenses excluding Mainland of China & international subsidiaries	(14,679)	(14,004)	(675)	(4.8)
Expenses relating to Mainland of China & international railway, property rental and management subsidiaries	(16,088)	(12,890)	(3,198)	(24.8)
Expenses relating to Mainland of China property development	(4,682)	(982)	(3,700)	(376.8)
Total operating expenses	(35,449)	(27,876)	(7,573)	(27.2)
EBITDA excluding Mainland of China & international subsidiaries	16,775	16,359	416	2.5
EBITDA relating to Mainland of China & international railway, property rental and management subsidiaries	902	588	314	53.4
EBITDA relating to Mainland of China property development	2,314	366	1,948	532.2
Total EBITDA	19,991	17,313	2,678	15.5
HK property development profit	1,097	311	786	252.7
Total operating profit	21,088	17,624	3,464	19.7
Depreciation & amortisation	(4,855)	(4,127)	(728)	(17.6)
Variable annual payment	(1,933)	(1,787)	(146)	(8.2)
Interest and finance charges	(905)	(612)	(293)	(47.9)
Investment property revaluation	6,314	808	5,506	681.4
Share of profit of associates and joint venture	494	535	(41)	(7.7)
Profit before taxation	20,203	12,441	7,762	62.4
Income tax	(3,318)	(2,093)	(1,225)	(58.5)
Reported net profit attributable to shareholders of the Company⁽¹⁾	16,829	10,254	6,575	64.1
Reported earnings per share (HK\$)	2.83	1.74	1.09	62.6
Profit from underlying businesses⁽¹⁾	10,515	9,446	1,069	11.3
Underlying businesses EPS (HK\$)	1.77	1.61	0.16	9.9
Final ordinary dividend per share (HK\$)	0.87	0.82	0.05	6.1
Total ordinary dividend per share (HK\$)	1.12	1.07	0.05	4.7

1. Net of non-controlling interests of HK\$56 million and HK\$94 million in 2017 and 2016 respectively

Segmental Profits of Underlying Businesses

	<u>2017</u>	<u>2016</u>	<u>Favourable/ (adverse) change</u>	
<i>(HK\$m)</i>			HK\$m	%
Hong Kong transport operations ⁽¹⁾	1,656	2,572	(916)	(35.6)
Hong Kong station commercial ⁽¹⁾	4,722	4,362	360	8.3
Hong Kong property rental and management ⁽¹⁾	4,082	3,912	170	4.3
Mainland of China and international railway, property rental & management (including share of EBIT from railway associates and joint venture) ⁽²⁾	1,467	888	579	65.2
Project studies & business development expenses	(332)	(361)	29	8.0
Others ⁽³⁾	145	317	(172)	(54.3)
EBIT on recurrent businesses	11,740	11,690	50	0.4
Interest on recurrent business profit ⁽⁴⁾	(1,250)	(775)	(475)	(61.3)
Tax on recurrent business profit ⁽⁵⁾	(1,910)	(1,999)	89	4.5
Post-tax recurrent business profit	8,580	8,916	(336)	(3.8)
HK property development profit after tax	916	267	649	243.1
Mainland of China property development profit after tax and interest	1,019	263	756	287.5
Post-tax property development profit	1,935	530	1,405	265.1
Profit from underlying businesses	10,515	9,446	1,069	11.3

Note:

All segmental profits shown are pre-tax profits.

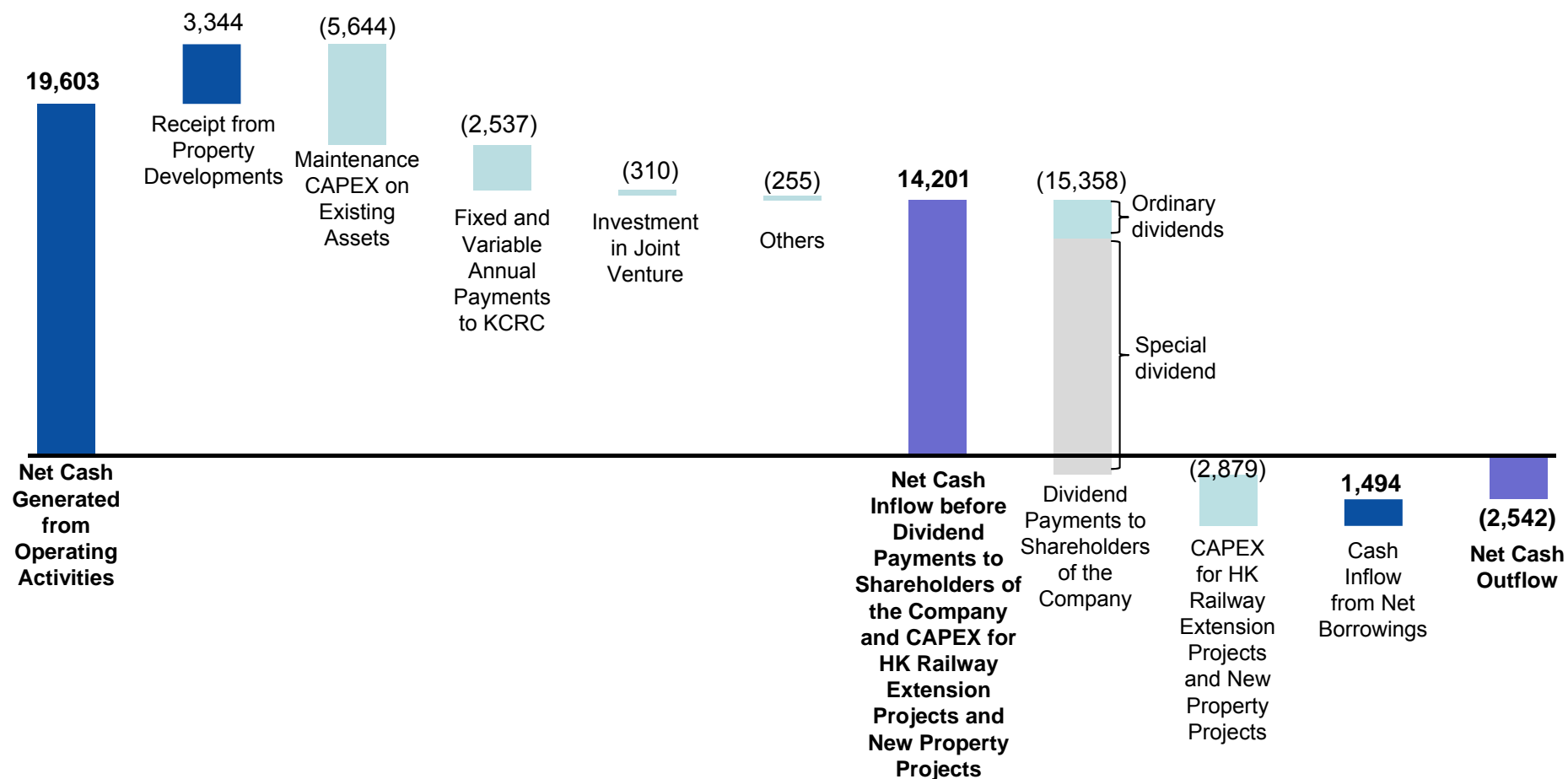
1. After depreciation, amortisation and variable annual payment to KCRC
2. Net of non-controlling interests
3. Includes profit from consultancy and Ngong Ping 360, and share of EBIT from Octopus Holdings Limited
4. Includes our share of interest and finance charges incurred by associates and joint venture
5. Includes our share of tax incurred by associates and joint venture

Consolidated Statement of Financial Position

(HK\$m)	<u>31 Dec 2017</u>	<u>31 Dec 2016</u>	<u>Increase/ (Decrease)</u>	
			<u>HK\$m</u>	<u>%</u>
<u>Assets</u>				
Investment properties	77,086	70,060	7,026	10.0
Other property, plant and equipment	102,889	103,613	(724)	(0.7)
Service concession assets	29,797	28,269	1,528	5.4
Property development in progress	14,810	17,484	(2,674)	(15.3)
Interests in associates & joint venture	6,838	7,015	(177)	(2.5)
Properties held for sale	1,347	1,394	(47)	(3.4)
Debtors and other receivables	7,058	4,073	2,985	73.3
Amounts due from related parties	2,570	2,171	399	18.4
Cash, bank balances and deposits	18,354	20,290	(1,936)	(9.5)
Others	3,019	2,971	48	1.6
Total Assets	263,768	257,340	6,428	2.5
<u>Liabilities</u>				
Debts	42,043	39,939	2,104	5.3
Creditors and other payables	28,166	32,629	(4,463)	(13.7)
Current taxation	1,080	123	957	778.0
Amounts due to related parties	2,226	11,783	(9,557)	(81.1)
Obligations under service concession	10,470	10,507	(37)	(0.4)
Deferred tax liabilities	12,760	12,125	635	5.2
Others	597	678	(81)	(11.9)
Total Liabilities	97,342	107,784	(10,442)	(9.7)
Total Equity	166,426	149,556	16,870	11.3

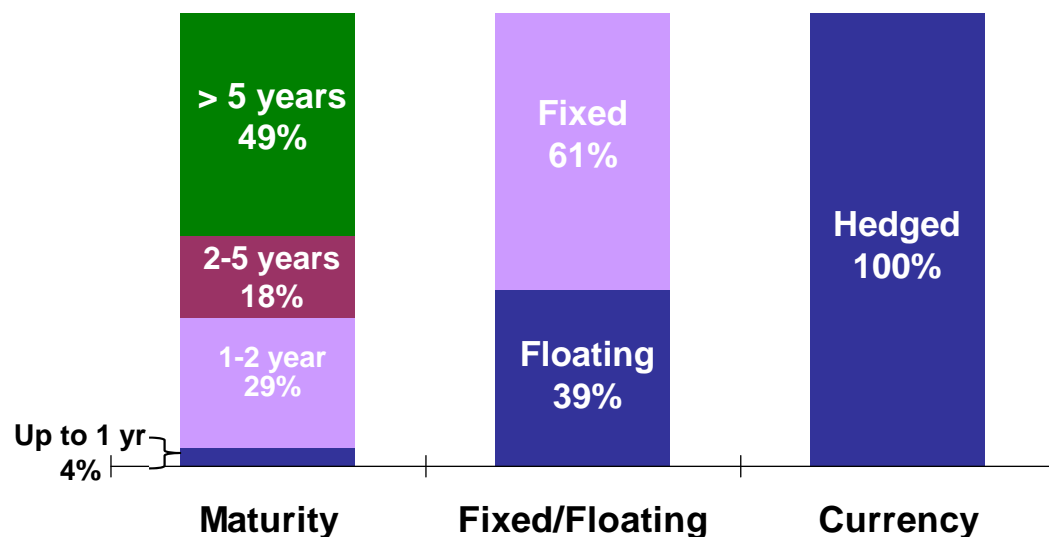
Cash Flow (for the year ended 31 Dec 2017)

(HK\$m)



Financing and Credit Ratios

Company Debt Profile (31 Dec 2017)⁽¹⁾



Consolidated group borrowings outstanding:

HK\$42,043m (HK\$39,939m as at 31 Dec 2016)

Average borrowing cost: **2.5%**

0.4 %pt

Net interest expense: **HK\$905m**

47.9%

Compared to 2016 figures

	31 Dec 2017	31 Dec 2016
Net Debt / Equity ratio⁽²⁾	20.6%⁽³⁾	20.2%
Interest cover	15.0x	12.7x

1. Excludes Mainland of China and overseas subsidiaries debts

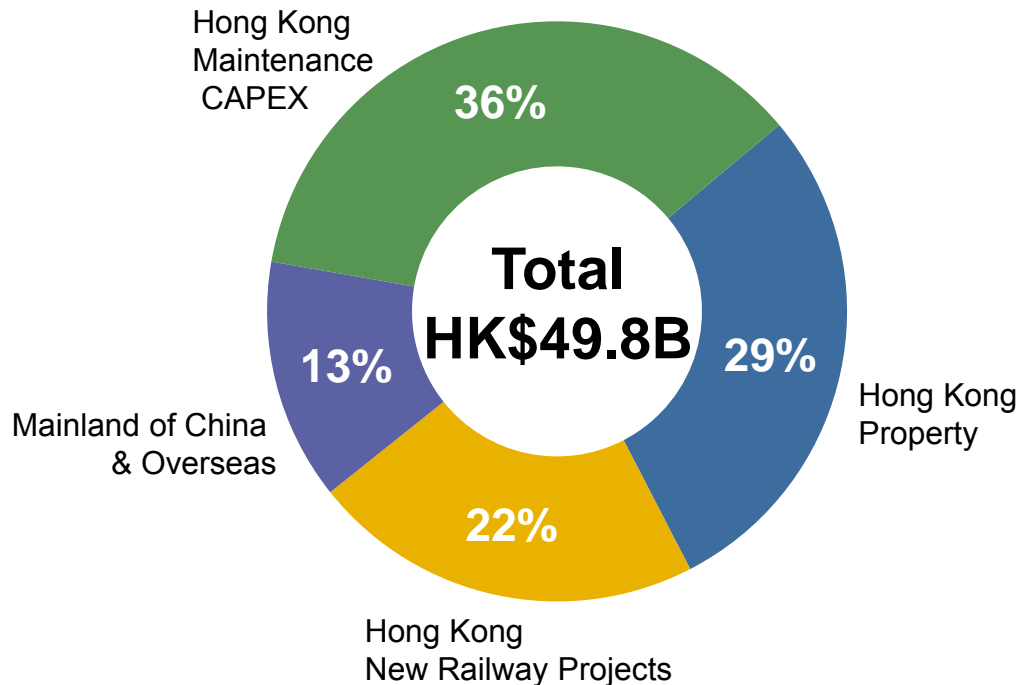
2. Including obligations under service concession and loan from holders of non-controlling interests as components of debt

3. If the land premium in respect of Wong Chuk Hang Station Package 2 (which was paid in Jan 2018) was excluded from the cash balance, the Group's net debt/ equity ratio at 31 Dec 2017 would have been 23.7%

Capital Expenditure & Investments



2018-2020



Estimated spend:
 2018 - HK\$13.7 billion
 2019 - HK\$21.4 billion
 2020 - HK\$14.7 billion

Total - HK\$49.8 billion



Outlook

Outlook

Hong Kong Transport Operations

- Economic growth and increased tourist arrivals will support steady growth in passenger volume
- With rollover of FAM adjustment rate, the fare adjustment in mid-2018 will include the 1.49% carried over from 2017
- Subject to finalisation of operating agreement with Gov't, opening of Express Rail Link (XRL) expected in 3Q 2018

Station Commercial and Property Rental

- Rental reversion subject to market conditions but given the normal 3-year tenancy cycle, maintaining peak rents achieved in 2015 may be a challenge
- Advertising business will be dependent on Hong Kong economic conditions
- Progressing LOHAS Park and Tai Wai shopping centre projects

Business Outside of Hong Kong

- Full year contribution from South Western Railway franchise in the UK
- Renewed concession to operate Melbourne Metro network in Australia

Property Development Businesses

- Profit booking will be dependent on the issuance of Occupation Permit for LOHAS Park Package 4
- Over the next 12 months, subject to market conditions, aiming to tender out Ho Man Tin Station Package 2, LOHAS Park Package 11, Wong Chuk Hang Station Package 3 and Yau Tong Ventilation Building site