



Growing  
*Globally*







**754.9** km  
total route length of  
railway operations  
outside of Hong Kong



We provide service to

**1,355** million  
passengers

in **6** cities outside  
of Hong Kong





# Executive Management's Report



## Mainland and International Businesses and Growth



Revenue in 2013 from our Mainland of China and international businesses was HK\$13,246 million, a 3.6% increase over 2012, of which our three railway subsidiaries, namely MTM, MTRS and MTR Corporation (Shenzhen) Limited ("SZMTR"), contributed HK\$13,100 million, 3.6% more than in 2012. Operating costs of these railway subsidiaries were HK\$12,332 million, resulting in a 31.5% increase in operating profit to HK\$768 million and an operating profit margin of 5.9%.

Our associates outside of Hong Kong, Beijing MTR Corporation Limited ("BJMTR"), LOROL and Tunnelbanan Teknik Stockholm AB ("TBT") continued to generate profit. Following the commencement of our operation of Hangzhou Metro Line 1 ("HZL1") on 24 November 2012, we have included the results of our 49% owned associate, Hangzhou MTR Corporation Limited ("HZMTR"), which incurred an operating loss in 2013. The loss is due mainly to lower than expected patronage. Plans have been put in place to enhance patronage on this line. Our overall share of losses from these four associates in 2013 was HK\$74 million.

Total passengers carried by our rail subsidiaries and associates outside of Hong Kong was 1,355 million in 2013, as compared with approximately 1,171 million in 2012.

### Railway Businesses in the Mainland of China

Beijing Metro Line 4 ("BJL4") and the Daxing Line again exceeded their service targets. Combined ridership in 2013 reached 454 million passenger trips, with an average weekday patronage of more than 1.28 million. The two lines have 35 stations and a combined length of 50 km.

Our vision of being a leading multinational operator of rail services goes from strength to strength



**Jeremy Bennett**  
Legal Manager – General

Phase 1 of Beijing Metro Line 14 ("BJL14") opened on schedule on 5 May 2013. The service performance has been satisfactory. This section of the new line has seven stations, running from Zhangguozhuang Station to Xiju Station with a length of 12.4 km. Total passenger trips since its opening to end 2013 were 11.4 million. BJL14 is currently operated by BJMTR on an "O&M" (Operation and Maintenance) fee basis. The Public-Private-Partnership ("PPP") terms will start once the full line is open, estimated to be in 2015.



Phase 1 of the BJL14 opened on 5 May 2013

BJMTR received several awards during the year, including "Outstanding Safety Performer in Transport Sector 2012" from the Beijing Municipal Transport Committee by virtue of the excellent operational performance by its metro concession in Beijing. Meanwhile, BJMTR was named one of the "TOP10 influential enterprises in Beijing" in the 6th Beijing Influence Campaign hosted by mainstream media including Beijing Television, Beijing Daily and supported by government authorities including Beijing Municipal State-owned Assets Supervision and Administration Commission and Beijing Municipal Commission of Development and Reform, based on its long-term contribution to the metro sector in Beijing and the high quality brand image it has built. Also in 2013, in the "China Best Employer 2013" jointly organised by Zhaopin and Social Responsibility and Employer Brand Publicity Center of Beijing University, BJMTR was honoured "Top30 in Beijing in China Best Employer 2013".

The operational performance of Shenzhen Metro Longhua Line ("SZL4") also exceeded targets and contractual commitments during the year. Ridership for the year was 140 million, with average weekday patronage reaching 380,300. The line runs 20.5 km and has 15 stations. During the year, SZMTR was awarded ISO14001:2004 by Bureau Veritas for its project management of new railways as well as its operation and maintenance of railway services and assets.

HZL1 celebrated its first full year of operation in November 2013 with operational performance exceeding targets. Following the opening of the Hangzhou East high speed rail station and in



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## Mainland and International Businesses and Growth

response to our marketing initiatives, which are contributing to changing patterns of behaviour among commuters, the patronage numbers have shown significant improvement. The average daily patronage in December 2013 reached over 318,000, far exceeding the 168,000 seen in January 2013. Total ridership for the year was 92.4 million. The last station on the line, East Railway Station, opened on 30 June 2013. HZL1 has 31 stations with a route length of 48 km.

### International Railway Businesses

In the United Kingdom, LOROL continued to deliver excellent service to the nation's capital. Driver-only operation was extended to the North London and West London lines from November 2013. LOROL is also working with Transport for London ("TfL") to support a GBP320 million project to increase train length from four cars to five cars. Construction work to support this began in April and the first five-car train is scheduled to enter service in the second half of 2014.

The network of LOROL extends to 57 stations over 124 km. Ridership in 2013 increased to 101 million.

LOROL won some impressive awards during the year, including "European Commuter Operator of the Year" at the inaugural European Rail Congress Awards in London. This came on top of the three awards in the tenth annual London Transport Awards in March 2013, namely "London 2012 Transport Teams", "Frontline Employee of the Year" and "Rail Station of the Year". In recognition of LOROL's excellent performance, TfL has extended our concession for a further two years to November 2016.

In Stockholm, MTRS' operational performance in the Swedish capital continues to improve, receiving recognition from the Swedish Institute of Quality for "Successful Business Development in 2013". Ridership for the year was 329 million, with average weekday patronage reaching 1.2 million. The metro system comprises of three lines and 100 stations, and runs for 110 km.

In Melbourne, patronage on MTM held steady for the year at 227 million. The network has 218 stations and runs for 390 km, making it the largest contributor to revenue among our international businesses. Service delivery has continued to improve and record performance was achieved during the year. In February 2013, MTM's safety related advertising campaign won the prestigious "Ad Campaign of the Year" and "Ad of the Year" awards at the AdNews Agency of the Year Awards.

### Property Development, Rental and Management Businesses in the Mainland of China

MTR Property Development (Shenzhen) Company Limited is currently developing Shenzhen Metro Longhua Line Depot Site Lot 1. The total developable gross floor area of the site is

approximately 206,167 square metres. Planning approvals, submission of building plans, and obtaining construction and works permits have all proceeded according to programme. The project loan was successfully arranged and the first drawdown was made in the third quarter of 2013. Upon the award of the Main Contract in October 2013, the ground breaking ceremony was held on 16 December 2013, marking the start of construction of this development project.



MTRS received recognition from the Swedish Institute of Quality for "Successful Business Development in 2013"

On 5 August 2013 Tianjin TJ-Metro MTR Construction Company Limited, a company formed by a wholly-owned subsidiary of the Company (49%) and Tianjin Metro (Group) Company Limited (51%), successfully bid for the land use right for a site at Beiyunhe Station on Tianjin Metro Line 6 in Tianjin, at a price of RMB2,075 million. The total developable gross floor area of the site is approximately 278,650 square metres and the site will be developed for mixed residential and commercial use. The land premium was fully settled in November 2013 and detailed planning and design for the development is currently in progress.

MTR received the "International Business Model Award" at the International Association of Public Transport ("UITP") 2013 World Congress for its rail plus property development model. The award acknowledges the Company's innovation in adopting the integrated development model for SZL4.

Revenue from our property rental and property management businesses in the Mainland of China increased by 7.4% to HK\$146 million in 2013. Our shopping mall in Beijing, Ginza Mall, had an occupancy rate of close to 100% at the end of 2013.

The Company's managed gross floor area in the Mainland of China remained steady at 256,000 square metres. This comprised two major developments in Beijing, namely the AO City Fortune Centre, with 109,000 square metres of commercial and residential space, and the North Star Paseo Mall and office towers, with 147,000 square metres of commercial space.

## Mainland of China and International Growth

In Beijing, following the initialling of the Concession Agreement for BJL14 with the Beijing Municipal Government, the project is progressing as planned. The entire BJL14 will run for 47.3 km and have 37 stations, including ten interchange stations. Under the approximately RMB50 billion PPP project, BJMTR is responsible for an investment of RMB15 billion for the provision of E&M systems and rolling stock, as well as the operation and maintenance of the line over a term of 30 years. The Beijing Municipal Government is responsible for the rest of the investment. Phase 1 of the project opened on 5 May 2013; Phase 2 and Phase 3 are now targeted to open in 2014 and 2015 respectively.

BJMTR also submitted a bid for Beijing Metro Line 16 ("BJL16"), another PPP project, in February 2014. The 50-km BJL16 will have 29 stations running from Beianhe to Wanping. Phase 1 is targeted to open by the end of 2016, with full line service by the end of 2017.

The Company signed the Framework Agreement in May 2013 with the Shenzhen Development and Reform Commission regarding the construction and an operating concession for Shenzhen Metro Line 6 ("SZL6"). SZL6 has a route length of 38 km with 20 stations extending north-westerly from Shenzhen North Station to Guangming New District. The terms for the Principle and Joint Venture agreements are being negotiated. In January 2014, the Company signed a Strategic cooperation Framework Agreement with the Longhua New District Administration Commission in Shenzhen for the North Extension of SZL4.

In Sweden, we will launch a new, 455-km rail service connecting Stockholm with Gothenburg. Called MTR Express and operated by our wholly-owned subsidiary MTR Nordic, it will provide 110 weekly train trips. The service is aimed to be launched by early next year following testing and commissioning of six new train sets, after their delivery.

In Australia, our consortium was shortlisted to bid for the Operations, Trains and Systems Contract for the Sydney North West Rail Link in May 2013. The bid was submitted on 5 December 2013. MTR, as part of the consortium, would be responsible for the design and delivery of the rail systems together with operation and maintenance of the system for 15 years after service opening. In addition, we lead a consortium which has entered into discussions with Victorian Government in relation to a project to transform the Dandenong Rail Corridor in Melbourne. Subject to the finalisation of procurement and financing of the project, construction is expected to start in 2015.

In the United Kingdom, we submitted bids for both the Essex Thameside and the Thameslink, Southern and Great Northern franchises in December 2013. We were also shortlisted to tender for the Crossrail concession by TfL in June 2013 and our bid was submitted in February 2014. In addition, we were shortlisted to tender for the ScotRail franchise in November 2013, and this bid will be submitted in April 2014.

## Mainland of China and International Railway Businesses at a Glance

	In Operation								Pending Finalisation of Agreement	
	Mainland of China				Overseas				Beijing Metro Line 14, Mainland of China	MTR Express, Sweden
	Beijing Metro Line 4 ("BJL4")	Daxing Line of BJL4	Shenzhen Metro Longhua Line	Hangzhou Metro Line 1	Beijing Metro Line 14	London Overground, United Kingdom	Stockholm Metro, Sweden	Melbourne Metro, Australia		
MTR Corporation Shareholding	49%	49%	100%	49%	49%	50%	100%	60%	49%	100%
Business Model	Public-Private Partnership ("PPP")	Operations and Maintenance ("O&M") Concession	Build-Operate-Transfer ("BOT") <sup>Note 1</sup>	PPP	O&M Concession	O&M Concession	O&M Concession <sup>Note 3</sup>	O&M Concession	PPP	Open Access Operation
Commencement of Franchise/ Expected date of commencement of operation	Sep 2009	Dec 2010	Phase 1: Jul 2010 Phase 2: Jun 2011	Nov 2012	Phase 1: May 2013	Nov 2007	Nov 2009	Nov 2009	Phase 2: 2014 Phase 3: 2015	N/A <sup>Note 4</sup>
Concession Period (years)	30	10	30	25	30	9	8	8	30	N/A <sup>Note 5</sup>
Number of Stations	24	11	Phase 1: 5 Phase 2: 10	31	Phase 1: 7	57 <sup>Note 2</sup>	100	218	Phase 2 and 3: 30	7
Route Length (km)	28	22	Phase 1: 4.5 Phase 2: 16	48	Phase 1: 12.4	124	110	390	Phase 2 and 3: 34.9	455

### Notes:

- Shenzhen Metro Longhua Line Phase 1 assets are owned by the Shenzhen Municipal Government and MTR Corporation (Shenzhen) Ltd took over the operation of Phase 1 in July 2010.
- This represented the number of stations operated and managed by LOROL. The total number of stations served for London Overground is 83.
- Rolling stock maintenance under an associate formed between MTR Stockholm and Mantena AS.
- After the delivery of the new trains, service will be launched following testing and commissioning of the trains.
- The license to operate this service is subject to renewal.