

53km

will be added
to our Hong
Kong network

Deliver the New Era Network

4

New Railway
Projects
are in progress



Island Line Extension

opened in December 2014



Hong Kong Network Expansion

The Company's network expansion projects in Hong Kong during the year comprised five new lines, one of which, the Western extension of the Island Line (or West Island Line), came into operation in December 2014.



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New Rail Lines Owned by MTR

Western extension of the Island Line (or West Island Line)

The opening in December 2014 of the 3-km Western extension of the Island Line, created much excitement in the Western District of Hong Kong Island. Upon opening, it started serving HKU and Kennedy Town stations. Sai Ying Pun Station, which is one of the three stations on this extension, will open on 29 March 2015, with one of its entrances at Ki Ling Lane targeted for opening by the end of 2015. As previously announced, our estimate of the project cost (excluding capitalised interest) was approximately HK\$18.5 billion. This extension was built as a community railway, which brings added convenience

to about 230,000 people working and living in the Western District, and the average daily patronage has reached over 100,000. The integrated, all-weather pedestrian network, including comfortable passageways, escalators and lifts, makes navigating the area's hilly terrain much easier.

Community engagement is an important aspect of all project work and in July 2014, "Conservation of Stonewall Trees", a new book about the preservation of the century-old tree walls at Forbes Street in Kennedy Town during construction of the Western extension of the Island Line, was published. In September 2014, talented young Hong Kong directors explored the theme of "community" in a series of three short films launched as part of another community outreach campaign for the project.

South Island Line (East)

The 7-km South Island Line (East) will extend MTR services from Admiralty to the Southern District of Hong Kong Island, with



Executive Management's Report

Hong Kong Network Expansion



The technically complex works for the underpinning of the existing Island Line tunnel, in order to construct the extension of Admiralty Station, continue to be a major challenge

a train depot located in Wong Chuk Hang. It will be the first metro service to the Southern District of Hong Kong, serving an estimated residential and working population of 350,000. Excavation of the 3.2-km Nam Fung Tunnel connecting Admiralty and Ocean Park stations was completed in October 2014. The Wong Chuk Hang Depot has been topped out and, fitting-out and Electrical & Mechanical ("E&M") works are progressing well in the depot. The technically complex works for the underpinning of the existing Island Line tunnel, in order to construct the extension of Admiralty Station, continue to be a major challenge and timely completion of these works is critical to maintain the revised target opening date of end-2016. Structural works for Ocean Park and Wong Chuk Hang stations have been completed and fitting-out and E&M works are in progress. At Lei Tung Station and South Horizons Station, excavation works have been completed and construction of the station structure and entrances are in progress. The trains for the South Island Line (East) were delivered in 2014, and they are being gradually transferred to the Wong Chuk Hang Depot from late 2014. A series of train tests will be conducted on the tracks in 2015.

In August 2014, we revised upwards our estimate of the project cost (excluding capitalised interest) to HK\$15.2 billion. With the complexity of the project and continued challenges encountered, this estimate will be further reviewed in light of project progress and may be revised upwards. As at 31 December 2014, the project was 82% complete.

Kwun Tong Line Extension

The 2.6-km Kwun Tong Line Extension will extend the Kwun Tong Line from its existing terminus at Yau Ma Tei Station to new stations in Ho Man Tin and Whampoa. It will be the first metro service to link Ho Man Tin and Whampoa, serving a catchment population of 146,000. The major challenge which may impact the timetable is the excavation of the platform tunnel at Whampoa Station, the timely completion of which is critical to meet the revised target opening date of mid-2016. At Whampoa Station the excavation of both West and East concourses has moved ahead with approximately 88% of overall excavation completed by the end of 2014, while at Ho Man Tin Station 66% of structural works had been completed. Track work installation from Yau Ma Tei Station to Whampoa Station was 27% complete at the end of 2014.

The original estimate of the project cost (excluding capitalised interest) was HK\$5.9 billion. With the complexity of the project and continued challenges encountered, this estimate will be further reviewed in light of project progress and may be revised upwards. As at 31 December 2014, the project was 72% complete.



The 7-km South Island Line (East) will extend MTR services from Admiralty to the Southern District of Hong Kong Island

Construction of New Rail Lines Entrusted to MTR by the Government

Express Rail Link

The 26-km Express Rail Link will provide high speed cross-boundary rail services connecting Hong Kong to Shenzhen, Guangzhou and the high speed rail network in the Mainland of China. It will be served by the West Kowloon Terminus. As at 31 December 2014, the project was 66% complete and the target completion date had been revised from 2015 to a target of end 2017. Under the Express Rail Link Entrustment Agreement ("XRL Entrustment Agreement"), Government is responsible for funding the construction of the Express Rail Link. In July 2014, we provided to Government our project cost estimate at that time for the Express Rail Link project of HK\$71.52 billion, inclusive of future insurance and project management costs. With the complexity of the project, particularly the works at the West Kowloon Terminus, we are reviewing again the project cost estimate and the target completion date (and any possible delay in respect thereof). Taking into account the continued construction challenges and recommendations from the IBC, the cost estimate may be revised significantly upwards. It is expected that this review will be completed within the second quarter of 2015, after which we will formally report the findings to Government. Thereafter, we will continue to monitor and review the project cost and completion date.

Under the XRL Entrustment Agreement, if a material modification to the programme for the execution of the entrustment activities is likely to result in a material increase or decrease in project management responsibilities or costs of the Company, the Company and Government are to negotiate in good faith to agree an increase or, as the case may be, decrease in the Project Management Fee (currently set at HK\$4,590 million). Such negotiations have not yet commenced (as of 31 December 2014 and up to the date of this annual report) and, accordingly, at this stage, there is no certainty as to whether such fee will be increased. If the Company does not receive an increase in the Project Management Fee, we may not be able to recover the increased internal cost we incur in performing our obligations under the XRL Entrustment Agreement.

As regards to the potential legal liability, Government has the right to claim against the Company if the Company breaches the XRL Entrustment Agreement, or if Government suffers a loss as a result of the Company's negligence in performing its obligations under the XRL Entrustment Agreement. The Company's total aggregate liability to Government arising out of or in connection with the XRL Preliminary Entrustment Agreement and the XRL Entrustment Agreement (other than for death or personal injury) is subject to a cap equal to the Project Management Fee and any other fees that the Company receives under the XRL Entrustment Agreement and certain fees received by the Company under the XRL Preliminary Entrustment Agreement.

Executive Management's Report

Hong Kong Network Expansion

Following the April 2014 announcement of the delay to the project, the Board established the IBC, which worked with independent experts to advise how the Company could deliver the project in a more transparent and timely manner. The resulting reports, published in July and October 2014, established various external reasons for delay to the project, including local labour shortage, utility diversion complications and unfavourable ground conditions. We are implementing the recommendations made for enhancements to the Company's systems and processes, including the establishment of the Board Capital Works Committee and the Risk Committee. All these enhancements will improve transparency and communications related to the project management.

On 30 January 2015, the Office of the Chief Executive of HKSAR made public the Report of the Express Rail Link Independent Expert Panel. We have reviewed this report in conjunction with our two experts appointed by the IBC and will assist Government to implement recommendations where appropriate.

Construction of the tunnels for this project, which involves extensive excavation using Tunnel Boring Machines ("TBMs") and the Drill-and-Blast method, was 92% complete at the end of 2014. Of particular note, breakthrough of the 7.6-km Drill-and-Blast tunnel that runs through Tai Mo Shan between Tse Uk Tsuen and Shek Yam was achieved in late March 2014, while excavation of the Mei Lai Road to Hoi Ting Road tunnels using TBMs was successfully completed in October 2014. With the use of blasting to further accelerate the excavation of the underground rock at the West Kowloon Terminus Station North, which commenced in September 2014, the overall

excavation work of the West Kowloon Terminus was 88% complete by year end, while 43% of the concrete structure had been cast. The structural works for all 14 buildings for the Shek Kong Stabling Sidings were completed and E&M installations are in progress.

Shatin to Central Link

The 17-km Shatin to Central Link links up the existing railway lines to form an East West Corridor and a North South Corridor. The project covers ten stations, including six interchange stations linking existing railway lines and those under construction. The project was 27% complete overall by the end of 2014, with the East West Corridor 37% complete and the North South Link 9% complete. The progress of East West Corridor of the Shatin to Central Link has been mainly impacted by the archaeological works at a site in To Kwa Wan, resulting in 11 months delay with target opening now in 2019. For the North South Corridor, there is expected to be late site handover by other infrastructure projects in the vicinity, and our current estimate is that there will be at least six months delay in this project programme with target opening in 2021. The Company will continue to liaise closely with the concerned parties to mitigate such delays as far as possible. Under the Shatin to Central Link Entrustment Agreement, Government is responsible for funding the construction of the Shatin to Central Link. In May 2014, we notified Government of the delays to the completion of the East West Corridor and North South Corridor. With the complexity of the project, together with the increased costs due to the archaeological works at To Kwa Wan, we are reviewing the project cost estimate taking into account the continued construction challenges and using the recommendation from the IBC. After the review we will report the findings to Government. Thereafter, we will continue to monitor and review the project cost.

The Shatin to Central Link will provide much needed new links across the New Territories, serving a catchment population of 380,000 people and catchment employment of an estimated 260,000 people in 2021. Construction works at all stations continued throughout the year. Hin Keng Station was 37% complete. Piling works on the temporary piling platform at the at-grade box cut and cover tunnel commenced. Works at Diamond Hill Station were 48% complete by the year end, while at Kai Tak Station, the overall progress was 49% complete. The modification works on station platforms of Ma On Shan Line to tie in with the future 8-car train configuration of the East West Corridor of the Shatin to Central Link were 75% complete by the end of 2014, with installation of extended steel platform roofs in progress.

New Railway Projects Under Discussion

In September 2014, Government issued its Railway Development Strategy 2014, which outlined Government's agenda for railway expansion in Hong Kong up to 2031. The Company has provided some technical input to Government on these new railway projects and will continue to support Government in the delivery of new railways for the community.



The overall excavation work of the West Kowloon Terminus was 88% complete by the end of 2014

Progress of New Railway Projects in 2014

Sheung Wan to Kennedy Town	No of Stations 3	Route Length (km) 2.7	Project Funding Capital Grant
Admiralty to South Horizons	No of Stations 5	Route Length (km) 7	Project Funding Rail plus Property
Yau Ma Tei to Whampoa	No of Stations 2	Route Length (km) 2.6	Project Funding Rail plus Property
West Kowloon to Guangzhou South	No of Stations 1	Route Length (km) 26*	Project Funding Service Concession
Tai Wai to Hung Hom Hung Hom to Admiralty	No of Stations 8 2	Route Length (km) 11 6	Project Funding Service Concession

* This represents the route length from West Kowloon in Hong Kong to the boundary of Hong Kong and Shenzhen.