

A photograph of Jessica Thylander, a woman with blonde hair tied back, wearing a dark blue long-sleeved shirt and a bright yellow-green high-visibility safety vest with reflective silver stripes. The vest has the 'MTR' logo on the chest. She is smiling and gesturing with both hands raised, palms facing forward. She is wearing a gold chain bracelet on her right wrist and a silver watch on her left wrist. A name tag and a rainbow lanyard are visible on her vest. The background is a blurred indoor setting, possibly a transit station, with a blue geometric graphic overlay on the left side of the image.

Jessica Thylander
Station Manager



Networks Around the World



Mainland and International Businesses and Growth

The total number of passengers carried by our railway related subsidiaries and associates outside of Hong Kong was approximately 1,598 million in 2015, compared to approximately 1,458 million in 2014.

In 2015, revenue from our Mainland of China and International railway and property related subsidiaries was HK\$12,572 million. This was a 0.4% decrease when compared to 2014.

Revenue from our railway related subsidiaries outside of Hong Kong, namely MTR Corporation (Shenzhen) Limited ("MTR(SZ)"), Metro Trains Melbourne Pty. Ltd. ("MTM"), MTR Stockholm AB ("MTRS"), MTR Express (Sweden) AB ("MTRX"), MTR Corporation (Crossrail) Limited ("MTR Crossrail"), Metro Trains Sydney Pty. Limited ("MTS") and the Joint Venture for the design and construction of the ("JV-SMNW"), was HK\$12,418 million. This represents a slight decrease of 0.4% over 2014 and mainly reflects the net result of adverse exchange rate movements offset by incremental contributions from new start-up operations. Operating costs increased to HK\$11,719 million, resulting in a 16.2% decrease in operating profit to HK\$699 million with an operating profit margin of 5.6%. On a constant exchange rate basis, revenue from our railway related subsidiaries (excluding the new start-up operations of MTRX, MTR Crossrail, MTS and JV-SMNW) would have increased by 7.4%, operating cost by 8.2%, and operating profit decreased by 2.9%, mainly due to a lower volume of project activities in MTM.

Our rail associates outside of Hong Kong contributed profits of HK\$126 million in 2015. This compared with a loss of HK\$105 million in 2014 and reflects the improved performance of our Hangzhou and Beijing associate companies.

The total number of passengers carried by our railway related subsidiaries and associates outside of Hong Kong was approximately 1,598 million in 2015, compared to approximately 1,458 million in 2014.

Railway Businesses in the Mainland of China

In Beijing, our 49% associate Beijing MTR Corporation Limited ("BJMTR") operates three lines (Beijing Metro Line 4 ("BJL4"), Daxing Line and Beijing Metro Line 14 ("BJL14")) and entered



We continue to enhance the operational performance of our railways outside of Hong Kong



Jessica Thylander, Station Manager

Jessica Thylander is a Stationschef (ie "Station Manager" in Swedish) of MTR Stockholm Operations Department in Sweden. Her everyday work includes managing station staff and customer service.

Jessica's customer service motto is 'satisfaction and safety'. 'We strive to make customers feel satisfied, welcome and safe. Our goal is to be the preferred mode of transport for Stockholm people.'

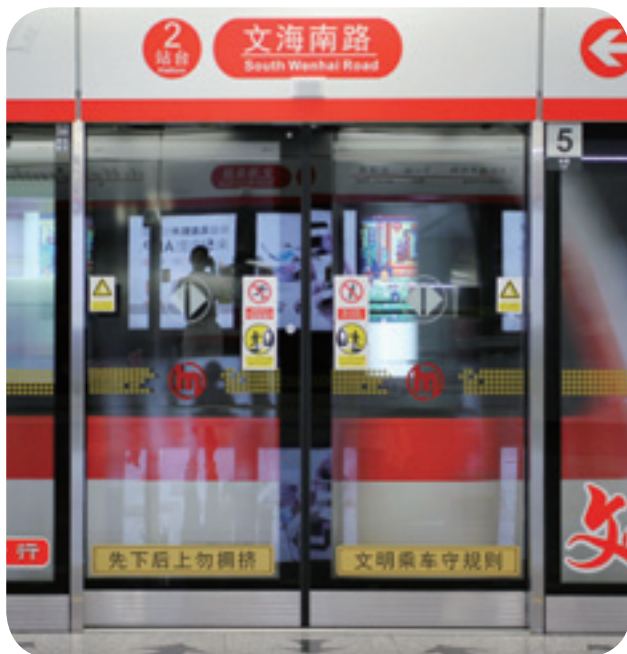
Stockholm is a vibrant cosmopolitan city and here MTR serves a large urban population as well as people commuting from outside. What role does it play in community life? 'It's very important. I can say that without MTR, everything would stop. We ensure that passengers get to their destination, work or leisure, in comfort and safety. We operate almost around the clock. People rely on us and have high expectations. We Swedes are also very environmentally conscious. We strive to be on time, safe and environmentally responsible. These are our core values.'

8 Rail Services
in operation outside
of Hong Kong

867.5km
total route length in
operation outside of
Hong Kong

Executive Management's Report

Mainland and International Businesses and Growth



A 5.7-km extension of HZL1 opened in November 2015

into a concession agreement for a fourth line (Beijing Metro Line 16, "BJL16") towards the end of 2015. BJL4 and the Daxing Line exceeded their service targets. Combined ridership in 2015 was 429 million passenger trips, with average weekday patronage of more than 1.24 million. Compared with 2014 these numbers represented declines of 6.9% and 4.6% respectively, which were due to the increase in fares across the Beijing metro network in December 2014. The two lines have 35 stations and a combined length of 50 km.

The Phase 1 West Section and Phase 2 East Section of BJL14 recorded a combined 62.65 million passenger trips and average weekday patronage of 196,039 during 2015. The Phase 1 West Section has seven stations, running for 12.4 km. The Phase 2 East Section runs for 14.8 km and covers 12 stations, two of which are bypassed. The Phase 3 Middle Section of BJL14 opened in December 2015. It has 11 stations (two of which are bypassed) with over 16.6 km of route length. During 2015, the various sections of BJL14 were managed by BJMTR on an operating and maintenance business model. With the opening of Phase 3, as from 31 December 2015, the 30-year concession has commenced.

In Shenzhen, the Shenzhen Metro Longhua Line ("SZL4") operated by our wholly-owned subsidiary MTR(SZ), continued to enhance operational performance and saw a 12% increase in patronage to 189.4 million in 2015. Capacity on the line has been increased by the conversion of all 4-car trains into 6-car trains with all works completed ahead of schedule in February 2015.

Although patronage has continued to increase on SZL4, there has been no increase in fares since we started operating

the line in 2010 and unlike our rail business in Beijing and Hangzhou, MTR(SZ) does not benefit from a shadow fare protection mechanism. We understand that there have been discussions within the Shenzhen Municipal Government regarding fare adjustments, possibly in 2016. If such fare adjustments are not implemented, the long-term financial viability of SZL4 may be impacted.

Our 49% owned associate in Hangzhou, Hangzhou MTR Corporation Limited ("HZMTR"), operates Hangzhou Metro Line 1 ("HZL1") which was extended by 5.7 km in November 2015 and now covers 54 km, with 34 stations. Patronage on HZL1 continues to grow and 2015 saw the number of passenger trips rise by 23% to 176.9 million. A 5.7-km extension of HZL1 opened in November 2015; this extension is operated under an operating and maintenance business model. HZMTR has continued to record a net loss due to lower patronage than originally expected although this net loss was lower than in the previous year due mainly to higher fare revenue and fare subsidy and a number of one-off adjustments, partially offset by incremental interest expenses.

International Railway Businesses

During 2015, the Company notched up a series of successes in the UK and Sweden. In the UK, London Overground Rail Operations Limited ("LOROL") has continued to deliver best-in-class operational performance and was named "Rail Operator of the Year", which was a prestigious title from the "2015 London Transport Awards". In May 2015, LOROL took over the management of the West Anglia Inner suburban routes, increasing the scale of its operations by 30.8% to 111 stations (with 81 managed by LOROL) and 167 km of route length. The route extension increased ridership by 27% to 146 million. LOROL has assisted Transport for London ("TfL") to complete the GBP320 million project to increase train capacity by lengthening 57 trains from 4-car to 5-car on key London Overground routes.

MTR Crossrail started operating the new Crossrail concession in May 2015 under the brand name "TfL Rail". TfL Rail consists of services devolved from the previous Greater Anglia franchise covering 14 stations. When full Crossrail services commence in 2019, it will serve 40 stations with a route length of 118 km. Since commencement of services, MTR Crossrail has achieved significant improvements in operational performance, customer satisfaction and employee engagement.

In Sweden, MTRS recorded excellent operational performance in 2015, setting record-breaking levels for punctuality across all metro lines in Stockholm. Average weekday patronage reached 1.19 million. MTRS's consistent improvement in operational performance and customer service was recognised by being awarded the prestigious "2014 Swedish

Quality Award". More importantly, it was granted an extension of the Stockholm Metro operating concession for a further six years to 2023. Helped by this solid track record, in December 2015 we were awarded the operating concession to operate and maintain the Stockholm Commuter Rail Systems (Stockholms Pendeltåg) for ten years, with an option to extend for four more years. Stockholms Pendeltåg serves the greater Stockholm area, with 53 stations and a total route length of 241 km. The concession is expected to start in December 2016, although there is currently a legal challenge from one of the failed bidders in the tender process which we are closely monitoring. In addition, MTR Express commenced service between Stockholm and Gothenburg in March 2015, winning very positive customer satisfaction for its best-in-class service quality and operational performance. However passenger numbers have been below initial projections, and we are addressing this issue through initiatives including enhanced marketing, promotions and sales campaigns.

In Australia, our 60% owned subsidiary MTM saw patronage in the Melbourne metro network increased from approximately 222 million in 2014 to 230 million in 2015, whilst further improvements in operational performance resulted in higher customer satisfaction. The Melbourne metro network has 218 stations and covers 390 km.

In Sydney, the consortium of which MTR is a member is responsible for the design, construction, financing as well as the future operation and maintenance of Sydney Metro Northwest ("SMNW"). SMNW is our first international Public-Private-Partnership ("PPP") project, and is also Australia's largest public transport project. Upon completion, the 36-km railway between Rouse Hill and Chatswood will be the country's first fully automated rapid transit network.

Service commencement is expected in the first half of 2019. Construction work has begun and initial milestones were achieved, including the delivery of the life-size train model, which has met with a positive response. The consortium also won the "Government Partnership Excellence Award" at the "National Infrastructure Awards" in Sydney in March 2015.

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

During 2015, we launched presales of Tiara at Shenzhen Metro Longhua Line Depot Site Lot 1. This is our first property development project in the Mainland of China and the response from buyers was excellent, with about 96% of 1,698 units sold by the end of 2015. The project has a total developable gross floor area ("GFA") of approximately 206,167 square metres including a 10,000 square metre (GFA) retail centre. Booking of revenue for Tiara will take place when the units are handed over to buyers in subsequent years. For accounting reasons, sales and marketing expenses for Tiara are expensed as incurred and hence in 2015, the operating loss relating to this project was HK\$140 million.

In Tianjin, our 49% owned associate, Tianjin TJ-Metro MTR Construction Company Limited, is encountering a number of obstacles in the development of the Beiyunhe Station project on Tianjin Metro Line 6. These obstacles include softening market demand in Tianjin, especially for offices (the mix-use project has approximately 60,000 square metres GFA of offices) as well as a significant increase in the estimated construction cost due to a more complex and enlarged basement construction. We are working with our 51% partner, Tianjin Metro (Group) Company Limited to find ways to reduce the negative impact of these challenges. The possible



MTRS was granted an extension of the Stockholm Metro operating concession for six years to 2023

Executive Management's Report

Mainland and International Businesses and Growth



MTM in Melbourne provides excellent services and enhances connectivity in the area

solutions being explored with Tianjin Metro (Group) Company Limited may necessitate changes to design schemes and the general layout plan.

Revenue from our property rental and property management businesses in the Mainland of China decreased slightly by 0.6% to HK\$154 million in 2015. Our shopping mall in Beijing, Ginza Mall was 93.4% occupied as at 31 December 2015.

The Company manages third party properties in the Mainland of China which, at the end of 2015, covered a total gross floor area of 230,000 square metres. The properties comprised AO City Fortune Centre in Beijing, with 24,000 square metres of commercial and 58,000 square metres of residential space, and the North Star Paseo Mall and office towers in Beijing with 148,000 square metres of commercial space.

Mainland of China and International Growth

In Beijing, BJMTR continues to make good progress with the remaining sections of BJL14. Once complete, the entire line will run for 47.3 km and have 37 stations, including ten interchange stations. Under the RMB50 billion PPP project, BJMTR's investments is RMB 15 billion and is responsible for provision of E&M systems and rolling stock, as well as operation and maintenance of the line over a term of 30 years.

The Concession Agreement for BJL16, another PPP project, was signed by BJMTR on 28 November 2015. The line will run 50 km from Beianhe to Wanping, encompassing 29 stations. Under the agreement, BJMTR will provide E&M systems as well as rolling stock. BJMTR will also undertake the operation and maintenance of the line for 30 years. Civil construction works for which the Beijing Municipal Government is responsible have begun, and the first phase operation is expected to commence in 2016 with full line operation after 2017.

MTR's equity contribution to BJMTR to support the BJL14 and BJL16 PPPs is estimated at RMB 2.45 billion for BJL14 and up to RMB 2.45 billion for BJL16.

In Sweden, the Stockholm County Council awarded MTR Nordic, a wholly owned subsidiary of the Company, the concession to operate and maintain Stockholms Pendeltåg. Moreover, in the first quarter of 2016, MTR acquired the remaining 50% shareholding in Tunnelbanan Teknik Stockholm ("TBT"), a 50:50 joint venture established initially between MTRS and Mantena AS in 2009. This acquisition will bring rolling stock maintenance for the metro network in Stockholm fully under our management.

Mainland of China and International Railway Businesses at a Glance

	MTR Corporation Shareholding	Business Model	Commencement of Franchise / Expected Date of Commencement of Operation	Franchise / Concession Period (years)	Number of Stations	Route Length (km)
Projects In Operation						
Mainland of China						
Beijing Metro Line 4 ("BJL4")	49%	Public-Private-Partnership ("PPP")	Sep 2009	30	24	28
Daxing Line of BJL4	49%	Operations and Maintenance ("O&M") Concession	Dec 2010	10	11	22
Beijing Metro Line 14 ("BJL14")	49%	PPP	Phase 1 West Section: May 2013 Phase 2 East Section: Dec 2014 Phase 3 Middle Section: Dec 2015	30	Phase 1 West Section: 7 Phase 2 East Section: 12 Phase 3 Middle Section: 11	Phase 1 West Section: 12.4 Phase 2 East Section: 14.8 Phase 3 Middle Section: 16.6
Shenzhen Metro Longhua Line	100%	Build-Operate-Transfer ^{Note 2}	Phase 1: Jul 2010 Phase 2: Jun 2011	30	Phase 1: 5 Phase 2: 10	Phase 1: 4.5 Phase 2: 16
Hangzhou Metro Line 1 ("HZL1")	49%	PPP	Nov 2012	25	31	48
HZL1 Extension	49%	O&M Concession	Nov 2015	End together with HZL1 concession	3	5.7
Overseas						
London Overground, United Kingdom	50%	O&M Concession	Nov 2007	9	111 (81) ^{Note 3}	167
Stockholm Metro, Sweden	100%	O&M ^{Note 4} Concession	Nov 2009	14 ^{Note 5}	100	110
Metro Trains Melbourne, Australia	60%	O&M Concession	Nov 2009	8	218	390
Crossrail, United Kingdom	100%	O&M Concession	May 2015	8	40 (28) ^{Note 6}	118
MTR Express, Sweden	100%	Open Access Operation	Mar 2015 ^{Note 7}	N/A ^{Note 8}	5 ^{Note 9}	455
Projects In Progress						
BJL14, Mainland China	49%	PPP	Full Line: After 2017	30	Full Line: 37	Full Line: 47.3
Beijing Metro Line 16, Mainland China	49%	PPP	Phase 1: 2016 Phase 2: After 2017	30	Full Line: 29	Full Line: 50
Stockholm Commuter Rail Systems (Stockholms Pendeltåg), Sweden	100%	O&M ^{Note 10} Concession	Dec 2016	10	53	241
Sydney Metro Northwest, Australia	Mixed	PPP (Operations, Trains & Systems)	2019	15	13 ^{Note 11}	36 ^{Note 11}

Notes:

- 1 B JL14 Phase 2 East Section has 12 stations, ten opened (two are currently bypassed). B JL14 Phase 3 Middle Section has 11 stations, nine opened (two are currently bypassed).
- 2 Shenzhen Metro Longhua Line Phase 1 assets are owned by the Shenzhen Municipal Government and MTR Corporation (Shenzhen) Limited took over the operation of Phase 1 in July 2010.
- 3 This represented the number of stations managed by LOROL. The total number of stations served for London Overground is 111. Starting from May 2015, the ex-West Anglia services have been integrated into London Overground, adding 28 stations (24 managed by LOROL) and about 43km of route length.
- 4 Rolling stock maintenance under a 50:50 joint venture between MTR Stockholm and Mantena AS.
- 5 In September 2015, the eight-year operating concession of Stockholm Metro was extended for another six years (from 2017 to 2023) to a total of 14 years by Stockholm authority.
- 6 MTR Crossrail will manage 28 out of the total 40 stations in the Crossrail network.
- 7 MTR Express initial service commenced on 21 March 2015 with full schedule started in August 2015.
- 8 The license to operate this service is subject to renewal.
- 9 MTR Express is not responsible for the management of these stations.
- 10 The award of the concession is subject to a judicial review on the procurement process undertaken by the Swedish authority. The case is between one of the bidders and the local authority, that the Company is not involved.
- 11 Sydney Metro Northwest has eight new stations and five retrofitted stations, and a 13-km existing line extended with a 23-km new line construction.