CEO's Review of Operations and Outlook

Dear Shareholders and other Stakeholders,

MTR's Hong Kong businesses performed well in 2015, while our overseas operations made further progress. Among the highlights of the year were the full opening of the Western extension of the Island Line in Hong Kong, successful presales of our first property development in the Mainland of China, the award of a new railway concession in Sweden, and the start of new railway operations in the UK and Sweden. Progress was also made on our railway extension projects in Hong Kong. Key milestones were reached on all four remaining projects, including signing the conditional agreement ("XRL Agreement") with Government regarding the further funding of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("Express Rail Link").

Revenue from our transport operations was buoyed by record passenger numbers and adjustments to fares made under the Fare Adjustment Mechanism ("FAM"). Station commercial revenue rose, largely because of positive rental reversions of station shops and higher turnover rents, mainly from the Lok Ma Chau Duty Free Shops. Property development profits were derived predominately from the booking of profits of Hemera (LOHAS Park Package 3) in the first half of 2015 and the sale of inventory units in the second half. We also awarded six property development packages in 2015, including one where we act as agent for the relevant subsidiary of Kowloon-Canton Railway Corporation ("KCRC"). In March 2016, we awarded another property development package, being our tenth development package at LOHAS Park. These seven packages together will enable the construction of about 11,410 residential units. Our property rental businesses in Hong Kong benefited from positive rent reversions averaging 12% in the year. Revenue from our Mainland of China and international rail subsidiaries decreased slightly as a result of adverse exchange rate movements offset by incremental contributions from our new operations. In Shenzhen, presales of Tiara, our first Mainland property development, met with a strong market response, with about 96% of the units sold at year end.

Our service performance in Hong Kong remained at world-class levels during the year, with train service delivery and passenger journeys on-time in our heavy rail network both at 99.9%. Our service performance in 2015 was one of our best since the Rail Merger with KCRC back in 2007. During the year, there were only seven delays in our heavy rail network and one delay in our light rail network which lasted for 31 minutes or more attributable to factors within MTR's control. Safety, as always, is our absolute priority, and safety performance continued at a very high level, resulting in a 6.1% reduction in reportable events on the Hong Kong heavy rail network in 2015.

The Company's growth strategy encompasses both Hong Kong and markets outside of Hong Kong. In our home market, progress continued on our four remaining network extension projects whilst major asset replacement programmes on the existing network are underway. These collectively form "Rail Gen 2.0", a new identity for the next generation of rail travel that will be rolled out in Hong Kong over the coming years. For our new rail projects, by the year end completion had reached 76% for the Express Rail Link, 93% for the South Island Line (East), 91% for the Kwun Tong Line Extension, and 48% for the Shatin to Central Link. We continue to work with Government to support the next phase of railway expansion under the Railway Development Strategy 2014 ("RDS 2014").

In Beijing, our associate company Beijing MTR Corporation Limited ("BJMTR") opened the Phase 3 Middle Section of Beijing Metro Line 14 ("BJL14") and signed the concession agreement for Beijing Metro Line 16 ("BJL16"). In Hangzhou, our associate company Hangzhou MTR Corporation Limited ("HZMTR") took on the operation and maintenance of an extended section of Hangzhou Metro Line 1 ("HZL1"), which commenced services in November 2015. In the UK, Crossrail Train Service ("Crossrail") commenced operations under the brand name "TfL Rail" in May 2015, and London Overground Rail Operations Limited ("LOROL") took over 42.9 km of additional routes in the same month. In Sweden the new MTR Express linking Stockholm and Gothenburg began service in March 2015, while MTR Stockholm AB's ("MTRS") operating concession for Stockholm metro was extended for six years to 2023. We were also successful in our bid for the ten-year concession to operate and maintain the Stockholm Commuter Rail Systems (Stockholms Pendeltåg). In Australia, our consortium is making progress on the Operations, Trains and Systems Contract for the Sydney Metro Northwest ("SMNW"), which is our first international Public-Private-Partnership ("PPP") project.

Looking at our financial results, total revenue in 2015 increased by 3.8% to HK$41,701 million while operating profit before Hong Kong property development profits, depreciation, amortisation and variable annual payment increased by 4.5% to HK$16,120 million. Excluding the Mainland of China and international subsidiaries, revenue increased by 5.8% and operating profit by 6.3%, with operating margin increasing slightly by 0.2 percentage point to 53.3%. Recurrent profits attributable to equity shareholders, being net profits before property development profit and investment properties revaluation, increased by 6.7% to HK$8,565 million. Post tax profit from property developments was HK$2,329 million, deriving mainly from the booking of profits of Hemera and the sale of inventory units. With the lower property development profit, excluding investment properties revaluation, net profit from underlying businesses attributable to equity shareholders decreased by 5.9% to HK$10,894 million, representing earnings per share of HK$1.87. Gain in revaluation of investment properties was HK$2,100 million, as compared with HK$4,035 million in 2014. As a result, net profit attributable to equity shareholders was HK$12,994 million, equivalent to earnings per share of HK$2.22 after revaluation. Your Board has proposed a final ordinary dividend of HK$0.81 per share, resulting in a full-year ordinary dividend of HK$1.06 per share, higher than the HK$1.05 per share for 2014. In addition, with the approval of the Company's independent shareholders for the XRL Agreement obtained on 1 February 2016 and the approval of the Legislative Council of the HKSAR ("LegCo") obtained on 11 March 2016 for Government's additional funding obligations under the XRL Agreement, the first tranche of the special dividend of HK$2.20 per share will be paid to shareholders in the second half of 2016 and the second tranche, also of HK$2.20 per share, will then be paid in the second half of 2017.

Hong Kong Transport Operations

Total revenue from Hong Kong transport operations in 2015 was HK$16,916 million, an increase of 4.3% over 2014, with operating costs increasing by 5.0% to HK$9,702 million. Together, this resulted in a 3.2% increase in operating profit to HK$7,214 million, with an operating margin of 42.6%.

Safety

Safety remains our absolute priority and our efforts to ensure continuous improvement resulted in a 6.1% reduction in reportable events on the Hong Kong heavy rail network in 2015 compared with 2014.

Escalator safety is one of our prime safety concerns. The 2015 MTR Escalator Safety Campaign informed passengers of the dangers arising from potentially unsafe behaviour when using escalators, such as the use of mobile phones, incorrect handling of baby prams and standing too close to escalator edges. The campaign was accompanied by new safety posters, videos and the deployment of specially-trained Escalator Safety Ambassadors. Our safety initiatives helped reduce the reportable events involving escalators on the Hong Kong heavy rail network by about 6.5% when compared with 2014.

Patronage

Total patronage from all our rail and bus passenger services in Hong Kong rose by 1.8% to a record 1,938.2 million in 2015.

For the Domestic Service (comprising the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding the Cross-boundary Service), West Rail and Ma On Shan lines), total patronage reached 1,577.5 million, a 1.9% increase over 2014. The rate of growth in 2015 was impacted by a higher patronage base in 2014 which was due to the effect of the public order events in Hong Kong in the fourth quarter of that year.

The Cross-boundary Service to Lo Wu and Lok Ma Chau showed a 1.1% rise in patronage to 114.2 million for the year. The rate of increase was impacted by a decrease in visitor arrivals from the Mainland of China using land transportation.

Passenger traffic on the Airport Express increased by 5.7% over 2014 to 15.7 million, supported by a moderate increase in air passenger traffic and more events being held at AsiaWorld-Expo.

Passenger volume on MTR's Light Rail and Bus services for 2015 was 226.7 million, a gain of 0.9%, while patronage on the Intercity service declined by 6.2% to 4.1 million due to fewer leisure travellers from the Mainland of China.

Average weekday patronage for all of our rail and bus passenger services in Hong Kong increased by 1.8% to 5.56 million during 2015, (5.55 million excluding the Intercity service). The Domestic Service accounted for the majority of this patronage, increasing by 1.9% to 4.58 million.

Market Share

The Company's overall share of the franchised public transport market in Hong Kong was 48.5% in 2015 as compared to 48.1% in 2014. Within this total, our share of cross-harbour traffic was 68.8%. Owing to continued competition from other modes of transport, our share of the Cross-boundary business declined from 51.6% to 51.3%, and our market share to and from the airport decreased to 21.5% from 22.3%.

Fare Revenue

Total Hong Kong fare revenue in 2015 was HK$16,754 million, a 4.3% increase over 2014. Of this total, the Domestic Service accounted for HK$11,819 million or 71%. Average fare per passenger on our Domestic Service increased by 2.5% to HK$7.49, the result of fare adjustments partially offset by concessions.

Fare revenue from the Cross-boundary Service in 2015 was HK$3,172 million, an increase of 4.0% over 2014. Fare revenue from the Airport Express was 3.8% higher for the year at HK$950 million. Light Rail and Bus fare revenue in 2015 was HK$671 million, a 5.0% rise over 2014, while fare revenue from the Intercity service was HK$142 million, a decrease of 2.1%.

The Company's fares are adjusted based on the FAM, which provides a transparent and objective basis for adjusting fares. A sustainable and stable fare mechanism is critical to funding the significant investments required for the long-term sustainability of the rail network. In accordance with the FAM, an overall fare adjustment rate of 4.3% was implemented in June 2015. In conjunction with this adjustment, we announced fare promotions estimated at over HK$500 million for the year 2015/2016, which are in addition to the approximately HK$2.4 billion worth of ongoing fare concessions and promotions in 2015.

The "MTR Festive Discount" is a highlight of the 2015/2016 fare promotions package. Following our special discounts on two days of the Chinese New Year holiday in 2015, we offered the same promotion during Christmas 2015 and Chinese New Year 2016, and will be offering the same discounts on two more days during the 2016 Easter holidays. When travelling on MTR domestic services on these six designated days, adult Octopus holders will pay concessionary fares equal to Child Octopus fares, while other concessionary Octopus holders will pay a flat fare of HK$1 per journey.

In addition, the "MTR City Saver" promotion has been extended to 30 June 2016 and the "Early Bird Discount Promotion" to 31 May 2016. Other fare promotions included the "10% Same-Day Second-Trip Discount" from June to November 2015, using HK$220 million set aside under the "Profit-related Fare Concession Scheme" and "Service Performance Arrangement". We also offered free rides for the elderly on Senior Citizen's Day and for the disabled on the International Day of Disabled Persons.

Service and Performance

Service performance during 2015 remained excellent. Train service delivery and passenger journeys on-time in our heavy rail network were maintained at 99.9%, a world-class performance that exceeds the targets set out in the Operating Agreement and our own more demanding Customer Service Pledges. Of more than 1.9 million train trips on our heavy rail network and more than 1 million train trips on our light rail network during the year, only seven delays on heavy rail network and one delay on light rail network lasting 31 minutes or more were attributable to factors within MTR's control. Our service performance in 2015 was one of our best since the Rail Merger with KCRC back in 2007 despite passenger numbers from 2008 to 2015 increasing by a significant 30.5%.

Responding to Our Customers

We continue to generate initiatives designed to make our services more comfortable, improve station access and facilities, as well as enhance communication.

A Customer Experience Development Section has been set up to deepen our understanding of customers' needs and devise enhancements using a sustainable Customer Experience Management Model. Journey mapping exercises and customer group meetings are being employed to generate insights for the development of new customer service initiatives, with the aim of consistently delivering a satisfying end-to-end journey. Communication during incidents has been enhanced through delivering clear, timely and accurate information to affected customers. A detailed survey is also carried out after each major delay to collect feedback that can be used to help improve our services. To thank our customers for their support, a "Happy Birthday • Happy Journey" campaign will be launched in April 2016. Customers with Hong Kong Identity Cards whose birthdays fall on a lucky day drawn for each month will be eligible to redeem a birthday pack, including a specially designed free one-day pass for unlimited journeys on our Domestic Service and gift vouchers and coupons.

In response to opinions expressed by some customers, in September 2015 the Company reviewed its rules on the size of objects that can be carried on the railway network. Following a smooth trial that ran from November 2015 to 29 February 2016 allowing passengers with musical instruments exceeding our normal size restrictions (but still within a certain limit) to be carried on our system upon issuance of a "Carriage of Oversized Musical Instrument Permit", the registration scheme has become an ongoing arrangement starting on 1 March 2016.

Providing More Rail Services

During 2015, 599 additional weekly services were added on the Ma On Shan, Tseung Kwan O, Island, Kwun Tong, East Rail and West Rail lines as well as on some Light Rail routes. In addition, more coupled set Light Rail vehicles have been deployed on nine routes.

Since launching of our programme to raise service levels in March 2012, more than 2,600 extra train trips have been added per week to different MTR heavy rail lines, and more than 650 weekly train trips added to Light Rail routes.

Rail Gen 2.0 - Investing in Network Improvements

In early 2016, we announced the launch of Rail Gen 2.0, which encompasses both the significant on-going enhancements to our existing rail network and the four remaining railway extensions to be delivered over the next few years. When completed, Rail Gen 2.0 will offer our passengers increased services, enhanced environments and an extended network. It will truly be a "next generation" rail network.

As part of Rail Gen 2.0, MTR's extensive asset maintenance and replacement programme saw more than HK$7 billion spent on maintaining, renewing and upgrading our Hong Kong network in 2015.

A highlight of the asset replacement programme was the signing, in July 2015, of a HK$6 billion contract to purchase 93 8-car trains to replace the same number of existing 8-car trains currently operating on the Kwun Tong, Tsuen Wan, Island and Tseung Kwan O lines. These new trains will bring greater comfort and a better travelling environment for our passengers.

In addition, we awarded a HK$3.3 billion contract in March 2015 to install new signalling systems on the Island, Kwun Tong, Tsuen Wan, Tseung Kwan O, Tung Chung and Disneyland Resort lines as well as the Airport Express. The new signalling system is expected to increase overall capacity by about 10% on these lines through enhancing service frequencies. The initial design has been completed and advance works to facilitate installation of new signalling equipment commenced in December 2015.

To increase train services further, the existing 28 7-car trains on the West Rail Line will be gradually converted to 8-car trains under the Shatin to Central Link project. The first 8-car train entered passenger service in January 2016, with all 8-car trains targeted to be in service in 2018. The Company is also exploring the feasibility of procuring ten new Light Rail Vehicles and ten buses for a total of more than HK$300 million, pending a Government review on overall transport needs in the Northwest New Territories.

Another aspect of our network improvement is our ongoing works to enhance station environments. At Mong Kok Station, the two existing paid concourses were connected to form one enlarged and integrated paid area in August 2015. When other works including the addition of three escalators are completed in 2017, it will facilitate a smoother passenger flow between the concourse and platform levels. At Diamond Hill Station, one lift and two escalators connecting the concourse and platform levels were put into service to provide more convenience for passengers. At Fo Tan Station, the previous two individual paid concourses have been connected, creating a spacious overall environment and improving connectivity.

In addition, new external lifts came into service during 2015 at Prince Edward, Lai Chi Kok and Sai Wan Ho stations, while passengers at Austin Station benefited from new entrances connecting to The Austin and Grand Austin residential developments.

The first Automatic Platform Gate was retrofitted on the Ma On Shan Line in July 2015 as part of the Shatin to Central Link project. The installation programme is now expected to complete in 2017, one year earlier than planned. Installation of wide gates at 25 stations was completed during 2015. Furthermore new public toilets at Mong Kok and Prince Edward stations opened in January 2015, and toilets were refurbished at Ma On Shan Line stations.

For our Light Rail service, improvements at Platform 2 of Tai Tong Road Stop were completed during 2015, while the replacement programme of new Light Rail ticket machines is in progress.

Looking forward, as part of Rail Gen 2.0, we will continue to upgrade our station facilities to enhance the overall customer experience. One upcoming project is to replace 160 chillers that provide air conditioning in stations with more energy efficient models. A new CCTV system is also planned to enhance coverage to ensure we continue to provide a safe and secure travel environment for our customers.

Enhancing Passenger Communication

We continue to enhance our communications with passengers through improving the delivery and content of messages, particularly during incidents.

New liquid-crystal display ("LCD") information display systems for station concourses and platforms, providing more timely and useful information to passengers, were installed along the Tung Chung Line and Airport Express during 2015. They are now being progressively installed on the Island, Kwun Tong and Tsuen Wan lines.

More than 3.5 million people used our MTR Mobile, MTR Tourist and Next Train apps in 2015. The Train Trip Planner and Light Rail Planner on MTR Mobile have been upgraded to include over 35,000 landmarks for route searches.

Increasing Support Staff in Stations

An additional 300 station assistants were introduced during 2015 to help manage the flow of passengers through stations, especially during peak periods. We have also deployed more staff to assist during specific incidents and to reinforce safety campaigns.

Hong Kong Station Commercial Businesses

Revenue from our Hong Kong station commercial businesses grew by 8.4% in 2015 to HK$5,380 million. The increase mainly reflected higher rental income from station shops. Operating costs of our Hong Kong station commercial businesses increased by 6.8% to HK$550 million, resulting in an 8.6% rise in operating profit to HK$4,830 million, representing an operating margin of 89.8%.

Station retail revenue for the year increased 10.7% to HK$3,540 million as rents increased and new shops were added in ten stations. Rental increases were driven by trade mix refinements, positive rental reversions, and increases in rents in accordance with lease contracts for Duty Free Shops at Lo Wu and Hung Hom stations as well as higher turnover rents from the Lok Ma Chau Station Duty Free Shops.

As at 31 December 2015, there were 1,362 station shops, occupying 56,238 square metres of retail space, an increase of 542 square metres as compared with 31 December 2014. During the year, 25 new brands were introduced. To reinforce "Style to Go" branding for MTR Shops, a thematic campaign featuring local pop stars ran from March to November 2015, while an MTR Shops Voting Campaign was launched for the public to vote for their favourite MTR Shops.

Advertising revenue in 2015 decreased slightly by 0.8% to HK$1,109 million, as the advertising market softened. The number of advertising units in stations and trains reached 45,185. During the year, new 40-inch digital escalator panels were installed, replacing all of the existing 32-inch models. In response to the popularity of the Concourse 103-inch TV zone at Lo Wu Station, this concept has been extended to Kowloon Tong and Tuen Mun stations. Starting from May 2015 an e-shop zone package was introduced to capture the rising trend of "online-to-offline" advertising.

Revenue from telecommunications in 2015 was 14.4% higher at HK$548 million. The increase was due to a one-off project administration fee, incremental revenue from new stations on the Western extension of the Island Line and mobile data capacity enhancement projects by operators. Installation for the provision of mobile phone and Wi-Fi services continues along the new South Island Line (East) and Kwun Tong Line Extension.

Property Businesses in Hong Kong

The Hong Kong property market remained stable in the first half of 2015 but started to soften towards the end of the year, as slower economic growth in the Mainland of China began to impact Hong Kong. In the residential sector, low interest rates and sales incentives offered by developers continued to lend support to the primary market, whilst the secondary market weakened following further tightening of mortgage financing in February 2015. Grade-A office rents were underpinned by limited new supply in Central as well as continued demand from Mainland enterprises. The retail segment was increasingly affected by a fall-off in tourism from the Mainland of China and a sharp reduction in spending on luxury goods and high-value consumables as well as increasing outbound travel as a result of the strong local currency.

Property Development in Hong Kong

Profit from Hong Kong property developments in 2015 was HK$2,891 million mainly from the booking of profits of Hemera (LOHAS Park Package 3), together with the sale of inventory units from The Riverpark at Che Kung Temple Station and car parking spaces at various developments.

Presale of Hemera saw all 1,648 units sold by April 2015, with the development attracting strong interest.

The buoyant primary residential market in 2015 supported our property tendering activities. In January 2015, LOHAS Park Package 6 was awarded to a subsidiary of Nan Fung Group Holdings Limited and the Tin Wing Stop property development in Tin Shui Wai was awarded to a subsidiary of Sun Hung Kai Properties Limited in February. LOHAS Park Package 7 was awarded to a subsidiary of Wheelock and Company Limited in June and for this property development, apart from profit sharing in the residential component, MTR will also contribute HK$4.98 billion and will retain ownership of the shopping mall. This contribution will be in two tranches with the first payment of HK$2.44 billion already paid in July 2015 and the balance to be paid upon the completion of the mall construction, expected to be in 2019. In October, LOHAS Park Package 8 was awarded to a subsidiary of Cheung Kong Property Holdings Limited and in December, LOHAS Park Package 9 was also awarded to a subsidiary of Wheelock and Company Limited. In March 2016, LOHAS Park Package 10 was awarded to a subsidiary of Nan Fung Group Holdings Limited. The total gross floor area ("GFA") which can be developed from these packages is about 621,460 square metres. Acting as agent for the relevant subsidiaries of KCRC, we also awarded the Yuen Long Station property development to a subsidiary of Sun Hung Kai Properties Limited in August 2015. In total all these seven development packages will supply about 11,410 residential units when completed.

We continue to assess the feasibility of other property developments along our railway lines to increase housing supply in Hong Kong. One possible site is above our depot in Siu Ho Wan on Lantau Island where, with the necessary zoning and other approvals, not less than 10,000 residential units can be built. Much work is still required including zoning, site planning, depot re-positioning, obtaining necessary approvals, land premium assessment as well as the business model to implement the works. At this preliminary stage there can be no assurance that this proposal would become a viable commercial project for MTR.

Property Rental and Management Businesses in Hong Kong

Revenue from our Hong Kong property rental and property management businesses in 2015 increased by 8.2% to HK$4,533 million. Operating costs rose by 15.8% to HK$865 million mainly due to higher Government rent and rates as well as a one-off provision. Hence operating profits increased by 6.5% to HK$3,668 million, with operating margin at 80.9%.

Total property rental income in Hong Kong for the year was HK$4,267 million, 8.2% higher than in 2014. Our shopping mall portfolio achieved rental reversion averaging 12% in the year. As at 31 December 2015, our shopping malls in Hong Kong and the Company's 18 floors at Two International Finance Centre remained close to 100% let.

As at 31 December 2015, the Company's attributable share of investment properties in Hong Kong was 212,301 square metres of lettable floor area of retail properties, 41,006 square metres of lettable floor area of offices, and 14,282 square metres of property for other use.

Hong Kong property management revenue in 2015 increased by 8.6% to HK$266 million. As at 31 December 2015, the number of residential units under the Company's management in Hong Kong had risen to 96,066, following the addition of 1,648 units from Hemera and 691 units from Grand Austin. Managed commercial space was 764,018 square metres.

Mainland of China and International Businesses

In 2015, revenue from our Mainland of China and International railway and property related subsidiaries was HK$12,572 million, 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"), 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 SMNW ("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.

Approximately 1,598 million passengers were carried by our railway subsidiaries and associates outside of Hong Kong in 2015, compared to approximately 1,458 million in 2014.

Railway Businesses in the Mainland of China

In Beijing, our 49% associate BJMTR operates three lines (Beijing Metro Line 4 ("BJL4"), Daxing Line and BJL14) and entered into a concession agreement for a fourth line (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. 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, HZMTR, operates 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, LOROL has continued to deliver best-in-class operational performance. It was named "Rail Operator of the Year", a prestigious title won at 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 bringing the total route length to 167 km. 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 service, 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, MTRX 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 increase 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 SMNW. SMNW is our first international 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 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 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 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 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.

Other Businesses

The Ngong Ping Cable Car and associated theme village ("Ngong Ping 360") recorded a 7.5% decrease in revenue in 2015 to HK$347 million. Visitor numbers for the year decreased by 11.5% to 1.62 million, due mainly to 28 fewer operating days because of rope maintenance works, as well as the challenges faced by the Hong Kong tourism industry during the year. Service reliability remained excellent. Ngong Ping 360 garnered numerous awards and recognition during the year, including being named "10 of the World's Most Amazing Cable Car Experiences" by CNN.com USA in February 2015.

The Company's share of Octopus' net profit for 2015 increased by 4.0% to HK$235 million. By year end, more than 7,000 service providers in Hong Kong were accepting Octopus for payment. Total cards and other stored-value Octopus products in circulation reached 30.5 million, while average daily transaction volumes and value reached 13.7 million and HK$165.3 million respectively.

We continue to leverage our experience as one of the world's leading railway operators to offer consultancy services to clients in Hong Kong and overseas. Revenue from our consultancy business in 2015 was HK$189 million, 5.0% higher than in 2014.

Income from project management services to Government is predominately for entrustment works on the Express Rail Link and Shatin to Central Link. Such income increased by 11.2% in 2015 to HK$1,736 million. Income from the entrustment works is booked on a cost recovery basis.

Future Growth

Growth in Hong Kong

Our key areas of growth in Hong Kong are the development of new rail lines in our home market as well as the expansion of our investment property portfolio. The completion of the remaining four new rail lines in Hong Kong is a centrepiece of our Rail Gen 2.0 initiative, which will add 53 km to our existing 220.9 km of route network.

New Rail Projects Owned by MTR

Western Extension of the Island Line

The last station of the 3-km Western extension of the Island Line, Sai Ying Pun Station, opened in March 2015, with its last remaining entrance at Ki Ling Lane to be opened later on in March 2016. This community railway has been greatly welcomed by residents and visitors to the area. Average daily usage of the three stations totalled approximately 184,000 passengers in the second half of 2015.

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. As at 31 December 2015, the project was 93% complete, with opening of the line targeted for the end of 2016.

The extension of Admiralty Station has been and remains the most challenging part of the project. In relation to this extension, excavation and structural works for the station cavern and platforms required for line opening have been completed, and fit-out and electrical & mechanical ("E&M") works are now in progress. By the end of 2015, the difficult underpinning excavation works were substantially complete and the construction of the concrete structure of the station box was approximately 80% complete. Completion of the remaining structural works in close proximity to the operational railway and securing sufficient resources for the E&M fit out are key challenges that must be overcome for the project to meet the targeted opening date.

Structural lining of the 3.2-km Nam Fung Tunnel connecting Admiralty and Ocean Park stations was completed in August 2015. Trackwork and E&M works in the tunnel are also substantially complete. Fitting-out and E&M works have been completed at Wong Chuk Hang Depot, as well as Ocean Park and Wong Chuk Hang stations. Testing of the new 3-car trains between Wong Chuk Hang and South Horizons stations has been in progress since April 2015 and testing for the whole line commenced in mid February 2016.

The current estimated cost of the project remains at HK$16.9 billion (before capitalised interest).

Kwun Tong Line Extension

The 2.6-km Kwun Tong Line Extension will extend the Kwun Tong Line from Yau Ma Tei Station to new stations in Ho Man Tin and Whampoa. As at 31 December 2015, the project was 91% complete with overall civil works being 97% complete and E&M works 71% complete. Opening is targeted for the third or fourth quarter of 2016.

Major progress milestones achieved during the year included energisation of overhead lines to Ho Man Tin Station and the completion of track laying works. The Ho Man Tin Station structure was topped out in June 2015 and E&M works are progressing well, with major plant and equipment in position. Assembly of platform screen doors, lifts and escalators is in progress. The pedestrian footbridge and subway structures connecting the station with the neighbouring community are substantially complete.

At Whampoa Station the platform tunnel connecting the East and West concourses was fully excavated in July 2015 and the tunnel lining has been completed. Internal finishings and fitting-out works are in full swing.

The current estimated cost of the project remains at HK$7.2 billion (before capitalised interest).

New Rail Projects Entrusted to MTR by 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 which at around 380,000 square metres (GFA) is one of the largest underground high speed rail stations in the world. As at 31 December 2015, the project was 76% complete.

The Company's project management responsibilities are set out in two Entrustment Agreements with Government. The first Entrustment Agreement ("XRL Preliminary Entrustment Agreement") covers, among other things, preliminary and detailed design and site investigation, while the second Entrustment Agreement ("XRL Entrustment Agreement") covers, among other things, completion of detailed design, construction and commissioning into service of the Express Rail Link. Under the XRL Entrustment Agreement, Government is responsible for funding the construction of the Express Rail Link.

A major milestone for the project was the completion of tunnel excavation which took place on 12 December 2015 with the last tunnel section, the northern northbound section of the Tai Kong Po to Tse Uk Tsuen tunnel breaking through. Track laying, tunnel lining, overhead line installation and other E&M works are progressing and were 52% complete at year end. The West Kowloon Terminus excavation was 98% complete and the concrete structure 70% complete at year end. The major construction challenges going forward are the completion of the complicated roof structure for the station as well as maintaining the pace of concreting works and internal wall construction.

Another milestone for the Express Rail Link project in the year was the XRL Agreement entered into by Government and MTR relating to the further funding arrangements for the project ("XRL Arrangements"). With the approval of the XRL Agreement and the XRL Arrangements by the Company's shareholders who are independent of Government ("Independent Shareholders") on 1 February 2016 and also the approval by LegCo on 11 March 2016 of Government's additional funding obligations under the XRL Agreement, the XRL Agreement has become unconditional.

Under the XRL Agreement, Government will bear and finance the project cost up to HK$84.42 billion (an increase of up to HK$19.42 billion (the "Current Cost Increase") from the original project cost estimate of HK$65 billion). If the project exceeds HK$84.42 billion, MTR will bear and finance any project costs exceeding HK$84.42 billion (if any) except in limited circumstances specified in the XRL Agreement. MTR will also pay a special dividend in cash of HK$4.40 per share in aggregate, in two equal tranches of HK$2.20 per share, which are expected to be paid in the second half of 2016 and the second half of 2017, respectively. This amounts to a total special dividend of approximately HK$25.76 billion based on the number of shares outstanding as at 31 October 2015. Other terms of the Entrustment Agreements relating to the project previously entered into by Government and MTR remain, except for amendments reflecting the XRL Agreement's proposed arrangements. These amendments also include an increase in the Project Management Fee payable to the Company under the XRL Entrustment Agreement to HK$6.34 billion (from HK$4.59 billion) and revision of the programme for completion of the Express Rail Link project to the third quarter of 2018. In addition, Government reserves the right to refer to arbitration the question of the Company's liability (if any) under the Entrustment Agreements for the Current Cost Increase, after the commencement of commercial operations on the new line ("Arbitration").

In the event that (i) Government refers to Arbitration the question of the Company's liability (if any) under the Entrustment Agreements for the Current Cost Increase; and (ii) the arbitrator does not determine that the liability cap contained in the XRL Entrustment Agreement ("Liability Cap") is invalid and determines that, but for the Liability Cap, the Company's liability under the Entrustment Agreements for the Current Cost Increase would exceed the Liability Cap, then the Company shall bear such amount as is awarded to the Government up to the Liability Cap; seek the approval of its Independent Shareholders for the Company to bear the excess liability above the Liability Cap; and if the approval of the Independent Shareholders is obtained, pay the excess liability to Government.

The XRL Agreement and the XRL Arrangements were approved by the Company's Independent Shareholders on 1 February 2016 and on 11 March 2016, LegCo gave approval for Government's additional funding obligations under the XRL Agreement and hence the XRL Agreement has become fully effective.

Shatin to Central Link

The ten stations 17-km Shatin to Central Link connects existing railway lines to form an East West Corridor and a North South Corridor with six interchange stations. The lines will provide much needed new links across the New Territories, serving an estimated residential and working population of 640,000 in 2021. Overall progress on the project was about 48% complete as at end of 2015, with the East West Corridor and North South Corridor being 63% and 23% complete, respectively. Government is responsible for funding the construction of the Shatin to Central Link except for certain costs of modification, upgrade or expansions of certain assets for which the Company is responsible under the existing service concession agreement with KCRC.

Reasonable progress was made on construction works during the year. For the East West Corridor, the downtrack tunnel from Hin Keng Station to Kai Tak Station was bored through in 2015. Both Hin Keng Station and Kai Tak Station were topped out in April and July 2015 respectively and E&M, other fitting out works, as well as track laying have commenced. Ma Tau Wai Station and To Kwa Wan Station (which had been affected by the archaeological finds) were 61% and 49% complete, respectively and the interchange stations at Diamond Hill and Hung Hom were over 65% complete. Meanwhile, the modification works on station platforms of the Ma On Shan Line to tie in with the future 8-car train configuration of the East West Corridor were 95% complete. Installation of automatic platform gates has commenced in three Ma On Shan Line stations.

For the North South Corridor, the immersed tube cross-harbour tunnel contract was about 26% complete at year end and construction of the launching shafts for the two tunnel boring machines on Hong Kong Island are underway with tunnel boring works planned to commence in the second quarter of 2016. Construction of Exhibition Station, including the diaphragm wall and foundation works, is underway. Reprovisioning of the new Wan Chai Swimming Pool was completed in October 2015. This facilitated the timely release of the site previously occupied by the original swimming pool to the contractor, thus enabling construction of Exhibition Station to start on time.

New trains for both corridors are being delivered to Hong Kong in batches starting from September 2015 for testing and commissioning. To facilitate the 8-car train operation of the East West Corridor, the existing 7-car trains of the West Rail Line are being converted to 8-car trains progressively. The first 8-car train was put into service in January 2016 and a total of 28 West Rail Line trains are expected to be converted by mid-2018.

Despite reasonable construction progress, and as reported previously, the programme for delivery of the Shatin to Central Link has been impacted by a number of key external events. Firstly, on the East West Corridor the time taken in confirming actions to be undertaken relating to archaeological finds at the To Kwa Wan Station site has led to an 11-month delay in this corridor, with the estimated completion now in 2019. Secondly, the anticipated late hand-over at the Central-Wan Chai Bypass of a construction site for the new Exhibition Station on the North South Corridor, due to infrastructure works by other parties, has already caused a six-month delay in that corridor. The estimated completion is now 2021. Any further delay in site hand-over will result in an equivalent additional delay to the completion of the North South Corridor. Our project team has been working diligently to explore and implement measures to improve progress and recover or mitigate the delays as far as possible.

Given the above delays, we are reviewing again the project cost estimate and the target completion dates for this project. Taking into account the continued difficulties and challenges, including those described above, we expect that the cost estimate will be revised upwards. In addition, mainly as a result of the increase in the estimated project costs relating to Admiralty Station, where the Shatin to Central Link will interchange with, amongst other lines, the South Island Line (East), we have notified Government of an increase in the expected cost of the Shatin to Central Link advance works. The programme and cost review in respect of the project as a whole is expected to be completed later in 2016, after which the Company will formally report the findings to Government.

New Railway Projects Under Discussion

To meet Hong Kong's growing public transport needs, Government's strategy is to continue using railway as the backbone in the development of our public transport network. Beyond the four rail lines that we are building now, Government has identified seven new rail projects under its RDS 2014 to be implemented in phases up to 2031, of which three are priority lines, namely the Tuen Mun South Extension, the Northern Link including Kwu Tung Station, and the East Kowloon Line. We continue to work with Government in taking forward these rail expansion plans.

Hong Kong Property Investment Projects

Another avenue of growth in Hong Kong is the expansion of our investment properties portfolio. Over the next five years or so, we will be adding about 120,620 square metres (GFA) to our shopping centre portfolio, thereby increasing the attributable GFA of our existing retail portfolio by approximately 40%.

The new Tai Wai shopping centre will have 60,620 square metres (GFA) and is targeted to open in the third quarter of 2021. The Company has contributed HK$7.5 billion to this development, and will retain ownership of the mall and bear the fit-out costs. The LOHAS Park shopping centre will have 44,500 square metres (GFA) and is targeted to open in the fourth quarter of 2020. The Company will contribute a total of HK$4.98 billion to the development, retain ownership and fit out the shopping centre.

The extension of Maritime Square will increase retail area by 12,100 square metres (GFA) at a cost of approximately HK$2.4 billion. All statutory submissions have been obtained and construction works commenced in June 2015. Construction is progressing according to programme and the extension is targeted to open in the fourth quarter of 2017.

To meet growing demand for retail services in East Kowloon, two floors of our offices above Telford Plaza are being converted to retail use, adding a further 3,400 square metres (GFA) to the shopping centre. The estimated project cost is HK$550 million. Land premium was paid in September 2015, and the conversion works commenced in December 2015 with opening targeted for the second quarter of 2017.

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 investment is RMB15 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 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.

Financial Review

In 2015, the Group recorded reasonable profits from our recurrent businesses and moderate profits from our property development business. The Group's total revenue and total operating expenses increased by 3.8% and 3.4% to HK$41,701 million and HK$25,581 million, respectively. Revenue from Hong Kong transport operations was HK$16,916 million, an increase of 4.3% due to higher passenger numbers and adjustments to fares which were partly offset by fare concessions. Expenses relating to Hong Kong transport operations grew by 5.0% to HK$9,702 million with the opening of the Western extension of the Island Line, as well as increased train trips and more front line operational staff. Revenue from station commercial businesses increased by 8.4% to HK$5,380 million, mainly due to higher rental income from station shops. The related expenses were 6.8% higher at HK$550 million, mainly due to higher Government rent and rates. Hong Kong property rental and management businesses recorded revenue of HK$4,533 million, up 8.2% with related expenses increasing by 15.8% to HK$865 million, mainly due to higher Government rent and rates as well as a one-off provision.

Our Mainland of China and international businesses were affected by adverse exchange rate movements. Revenue from the subsidiaries outside of Hong Kong decreased marginally by 0.4% to HK$12,572 million, with the related operating expenses increasing by 1.4% to HK$11,986 million and operating profits decreasing by 27.3%. On a constant exchange rate basis and excluding the new start-up operations of MTRX, MTR Crossrail, MTS and JV-SMNW, the revenue and expenses from our railway related subsidiaries outside of Hong Kong would have increased by 7.4% and 8.2%, respectively although operating profits would have decreased by 2.9% due to lower project income from MTM in Australia.

Revenue from other businesses in Hong Kong was HK$2,300 million, an increase of 6.8% mainly due to a higher level of project management work performed for Government, which is recognised on a cost recovery basis. However, this was partly offset by lower revenue from Ngong Ping 360 due to a decline in visitor numbers resulting from 28 fewer operating days brought about by rope maintenance work, as well as the drop in inbound tourism to Hong Kong in 2015. The related expenses increased by 10.9% to HK$2,174 million, mainly due to the higher level of project management work for Government.

Including project study and business development expenses of HK$304 million, operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment arising from recurrent businesses was HK$16,260 million, an increase of 5.1% over 2014. The operating loss from Mainland of China property development was HK$140 million being mainly sales and marketing expenses for Tiara. Total operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment increased by 4.5% to HK$16,120 million, with operating margin increasing by 0.3 percentage point to 38.7%.

Hong Kong property development profit in 2015 was HK$2,891 million, derived predominately from the booking of profits of Hemera (LOHAS Park Package 3) in the first half of 2015 and sales of inventory units in the second half. This was HK$1,325 million lower than 2014 when substantial property development profits were recognised from The Austin and Grand Austin. Depreciation and amortisation charges increased by 10.4% to HK$3,849 million, mainly due to the additional depreciation charge associated with the operation of the Western extension of the Island Line. Variable annual payment to KCRC increased by 12.0% to HK$1,649 million as a larger portion of revenue was charged at the highest progressive rate of 35%. Operating profit before interest and tax therefore decreased by 8.0% to HK$13,513 million.

Net interest and finance charges were HK$599 million in 2015, an increase of 9.9% due to lower interest income on reduced cash balances. Investment property revaluation gain amounted to HK$2,100 million. Our share of profit from Octopus Holdings Limited increased from HK$226 million to HK$235 million. Our share of profit from other associates was HK$126 million, as compared to a loss of HK$105 million in 2014, and was mainly due to improvements in the results of HZMTR and BJMTR.

Net profit attributable to shareholders, after deducting income tax of HK$2,237 million and profits shared by non-controlling interests of HK$144 million, decreased from HK$15,606 million in 2014 to HK$12,994 million in 2015. Earnings per share therefore decreased from HK$2.69 to HK$2.22. Excluding investment property revaluation, the underlying profit attributable to equity shareholders was HK$10,894 million, with underlying earnings per share of HK$1.87. Profit from our recurrent businesses grew by 6.7% to HK$8,565 million, while post-tax property development profits decreased from HK$3,547 million in 2014 to HK$2,329 million in 2015. Return on average equity attributable to equity shareholders arising from underlying businesses was 6.5% in 2015, compared to 7.3% in 2014.

Our statement of financial position remained strong, as the Group's net assets increased by 4.1% from HK$163,482 million as at 31 December 2014 to HK$170,171 million as at 31 December 2015. Total assets increased by HK$13,951 million to HK$241,103 million as a result of investment property revaluation gains, capitalisation of further construction costs of the Western extension of the Island Line, South Island Line (East) and Kwun Tong Line Extension, and renewal and upgrade works for our existing Hong Kong railway network. There were also contributions paid for LOHAS Park Package 7 and Tai Wai Station property development projects. Total liabilities have increased by HK$7,262 million since 31 December 2014 to HK$70,932 million as at 31 December 2015 mainly as a result of sales proceeds received in advance in respect of Tiara in Shenzhen. The Group's net debt-to-equity ratio increased from 9.1% at 30 June 2015 to 11.3% at 31 December 2015.

Net cash generated from operating activities decreased by HK$1,271 million to HK$14,773 million in 2015. The decrease was mainly due to higher tax payments and lower working capital movements. Receipts from property developments of HK$8,234 million in 2015 were HK$942 million lower than 2014, and mainly related to proceeds from Hemera and Grand Austin in Hong Kong and Tiara in Shenzhen. Including proceeds from shares issued under our share option scheme of HK$569 million and other cash receipts of HK$371 million, net cash receipts from operating and investing activities decreased from HK$25,595 million in 2014 to HK$23,947 million in 2015.

Total capital expenditure for railway operations paid during the year was HK$9,687 million. This included HK$4,216 million for the purchase of assets for our Hong Kong transport operations' existing railways and related operations, HK$4,760 million for the construction of the Hong Kong railway extension projects, HK$553 million for Shenzhen Metro Longhua Line railway operations and HK$158 million for other overseas transport operations. For property related businesses, total capital expenditure paid was HK$11,983 million. This included HK$10,253 million in respect of Hong Kong property development projects mainly relating to contributions paid for the Tai Wai Station and LOHAS Park Package 7 property development projects, HK$1,121 million for Tiara and HK$609 million for Hong Kong investment property projects and related fitting out work.

The Group paid fixed and variable annual payments to KCRC amounting to HK$2,222 million and dividends to our equity shareholders amounting to HK$5,748 million. Taking into account cash investment into BJMTR of HK$61 million, net loans to other associates of HK$91 million, net interest payment of HK$577 million, dividends to holders of non-controlling interests of HK$157 million and other payments, net cash payments increased from HK$20,349 million in 2014 to HK$30,676 million in 2015. After these items and net loan drawdown of HK$154 million, the Group's cash balance decreased from HK$18,893 million at 31 December 2014 to HK$12,318 million at 31 December 2015.

In line with our progressive ordinary dividend policy, the Board has proposed a final ordinary dividend of HK$0.81 per share, giving a full-year ordinary dividend of HK$1.06 per share, higher than the HK$1.05 per share for 2014, with a scrip dividend option offered. In addition, with the approval of the Independent Shareholders for the XRL Agreement obtained on 1 February 2016 and the approval of LegCo obtained on 11 March 2016 for Government's additional funding obligations under the XRL Agreement, the first tranche of the special dividend of HK$2.20 per share will be paid to shareholders in the second half of 2016 and the second tranche, also of HK$2.20 per share, will then be paid in the second half of 2017.

Human Resources

The Company, together with our subsidiaries, employed 17,127 people in Hong Kong and 8,157 outside of Hong Kong as at 31 December 2015. Our associates employed an additional 11,109 people in and outside Hong Kong. In Hong Kong, during the year, 1,806 new hires were taken on and 1,454 people were promoted internally, while staff turnover remained low at 3.7%.

To strengthen organisational effectiveness and support our business growth, an Engineering Division was established in early 2016. This new division will drive excellence and support long-term planning within the Company's engineering functions.

For recruitment, training and development, staff motivation and communication, we have very active programmes to attract, engage and retain staff. Initiatives implemented during 2015 to engage staff included various appreciation and support measures to recognise their commitment, professionalism and strong "One Team" spirit in overcoming different challenges. There were 8,700 communication sessions conducted under the "Enhanced Staff Communication Programme". Our global internal communications platform MTRconnects increased in popularity, as shown by over 563,000 hits as of December 2015, with more than 13,300 unique visitors.

The Work Improvement Team ("WIT") programme has continued to encourage collective innovation, continuous improvement and staff engagement. WIT has been MTR's "DNA" in Hong Kong for more than 27 years and in 2015, there were 5,672 members and 953 teams, with 950 projects submitted. To promote the WIT culture across our businesses worldwide, a 2015 Global WIT Conference was held in June 2015 with participants from our operations outside of Hong Kong.

Investment in staff development and training during 2015 saw 6,510 courses held in Hong Kong providing 6.6 training days per employee, in addition to courses elsewhere. To accelerate senior leadership development, we extended our people development initiative at the corporate level to our Mainland of China and international businesses. We also continued with our Executive Associate and graduate development programmes.

Our vision for the future is to become a recognised base for the training and development of future generations of railway professionals through the establishment of an "MTR Academy". Revealed in January this year in the Policy Address of the Chief Executive of the HKSAR, this new initiative aims to develop talent to operate and maintain safe, reliable and efficient railway systems in and outside of Hong Kong. While planning is in the early stages, the "MTR Academy" is envisaged to offer signature programmes in engineering, operations, management and customer service.

Community Engagement

Our "More Time Reaching Community" scheme celebrated its tenth anniversary in 2015, supporting 255 community projects involving over 6,000 volunteers. In addition, approximately HK$8.2 million was donated to charitable causes such as the Community Chest and we provided free advertising space to 50 non-profit organisations to support their work. The Company has been awarded the "10 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service ("HKCSS") in recognition of our commitment to caring for the community, our employees and the environment over the past decade. HKCSS also bestowed the highest honour, the "Outstanding Award for Social Inclusion", on our "MTR-Society Link" programme.

The MTR HONG KONG Race Walking 2015 event took place in September 2015, raising a record HK$1.42 million for the Hospital Authority's Health InfoWorld. It was co-organised by MTR and the Hong Kong Amateur Athletic Association.

Furthermore, we launched our "Youth Connect" platform to strengthen our commitment to youth development. A range of new and existing initiatives, such as mentoring and life-skills training, will be housed on this platform. It will support the Company's contribution to collective efforts in empowering young people, giving them the skills, perspectives, motivation and opportunities they need to achieve their aspirations.

Outlook

Towards the end of 2015, economic growth in Hong Kong slowed, impacted by declining retail sales and a slowing residential property market, strong local currency and a slowdown in growth in Mainland China. The end of 2015 also saw the US Federal Reserve increase the federal funds rate by 25 basis points, and it indicated that it may keep increasing rates into 2016. A further decline in the oil price and fears of continued RMB devaluation led to significant market volatility in the early months of 2016. We expect many of these trends to continue into 2016 and hence take a cautious stance.

In Hong Kong many of our businesses have a degree of resilience against slower economic growth whilst rental reversions in our station shops and shopping centres will be dependent on market conditions. Our advertising business will be more impacted by slower economic conditions.

In our Hong Kong property development business, there will be no new MTR projects subject to presales and development profit bookings in 2016. Hence Hong Kong property development profits, if any, will only come from sundry sources such as the sale of inventory units. In our property tendering activities over the next 12 months or so, subject to market conditions, we expect to tender out three property development packages with one more at LOHAS Park and our first property packages at both Ho Man Tin and Wong Chuk Hang.

As part of Rail Gen 2.0, we are targeting to open two new rail extensions in Hong Kong in the second half of this year, namely the Kwun Tong Line Extension and South Island Line (East). Challenges remain in the completion of these extensions and our teams are working diligently to deliver these two projects as soon as possible.

Outside of Hong Kong, if the local currencies continue to be weak, this may have an adverse impact on profits when such profits are translated back into Hong Kong dollars. In our Mainland property business, subject to project progress, we expect to book development profits relating to the low-rise units of Tiara which have been sold. Booking of profits for the high-rise units, which will contribute the bulk of total project profits, will likely take place in 2017, subject to construction progress.

To strengthen the senior management team, Mr Morris Cheung, formerly Human Resources Director, has taken up the role of European Business Director with effect from 15 June 2015. Mr Daniel Shim has taken over as Acting Human Resources Director and the recruitment of a Human Resources Director is underway. Ms Linda So joined MTR as Corporate Affairs Director on 16 September 2015 and Dr Peter Ewen joined MTR as Engineering Director on 22 February 2016 to oversee the Company's new Engineering Division. Mr Adi Lau, Deputy Director – Operating, became a member of the Executive Committee on 1 November 2015.

Having served as Chairman of the Board for over 12 years, Dr Raymond Ch'ien retired on 31 December 2015. I would like to express my deep appreciation to him for his leadership and tremendous contributions to the Corporation's success over the past years. I would also like to welcome Professor Frederick Ma as Chairman from 1 January 2016. Professor Ma has many years of experience with MTR having joined the Board as an Independent Non-executive Director in July 2013, and also prior to that, being a Non-executive Director from 2002 to 2007 in his role, at that time, as the Secretary for Financial Services and the Treasury. My colleagues and I look forward to working with Professor Ma.

I wish to express my gratitude to both Dr Ch'ien and Professor Ma as well as other Board members for their support. Finally I would also thank all my MTR colleagues both in and outside of Hong Kong for their hard work, dedication to excellence and support of the Company throughout the year; they really are the heroes of MTR.

Lincoln Leong Kwok-kuen, *Chief Executive Officer*
Hong Kong, 11 March 2016