RDG Stations Summit 2016

Rail plus Property – The Hong Kong MTR approach

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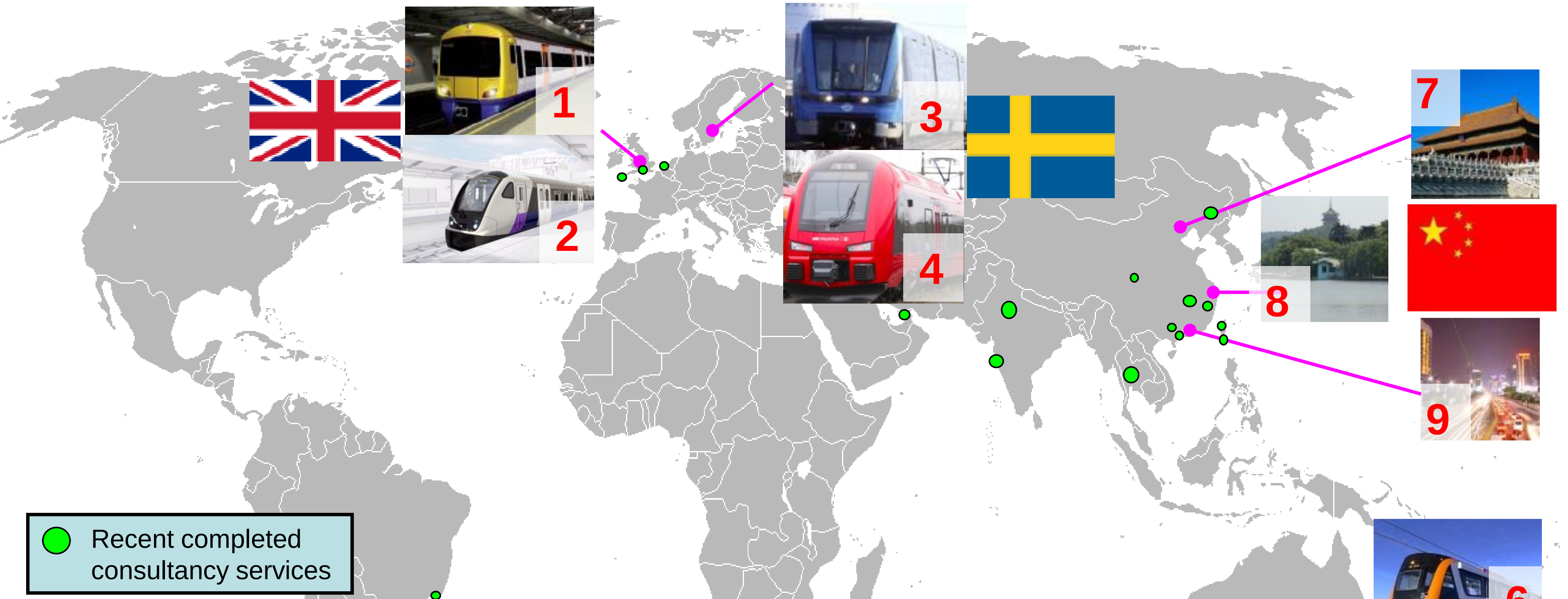
MTR

- Operates in Hong Kong, mainland China, Australia, and Europe
- 5.5m passengers per day in Hong Kong, 9m per day worldwide
- Market capitalisation £20bn, Hong Kong stock exchange
- Operating profit 2015, £1.0bn – approx 50/50 rail and property
- Balance sheet net assets £17bn, gearing 11%

MTR International Operations



Country	UK	Sweden	Australia	China	China	China
City	London	Stockholm	Melbourne & Sydney	Beijing	Shenzhen	Hangzhou
Ref no.	*1, 2*	*3,4*	*5, 6*	*7*	*8*	*9*
Metro Line	1) London Overground 2) Crossrail	3) Stockholm Metro 4)MTR Express STO/GOT	5) MTM 6) North West Rail Link	Line 4 Daxing Line Line 16 Line 14	Line 4	Line 1

MTR

MTR in Hong Kong

Transport Operation


Station Commercial



Property Rental and Management



Property Development


Tung Chung Station Development


Tseung Kwan O LOHAS Park Development

MTR Station Commercial Revenue

Non-fare box revenue in Hong Kong is over 30% of fare income.
Derived from retail outlets, advertising, telecoms, etc.

MTR Hong Kong Operating Profits 2015

Transport Operations

39%

Station retail, advertising, telecoms

25%

Property rental and management

20%

Property development

15%

100%

MTR Approach to Stations

- Putting the railway at the heart of a community
- Designing the station as an integral part of a wider development

Rail and Property in Practice

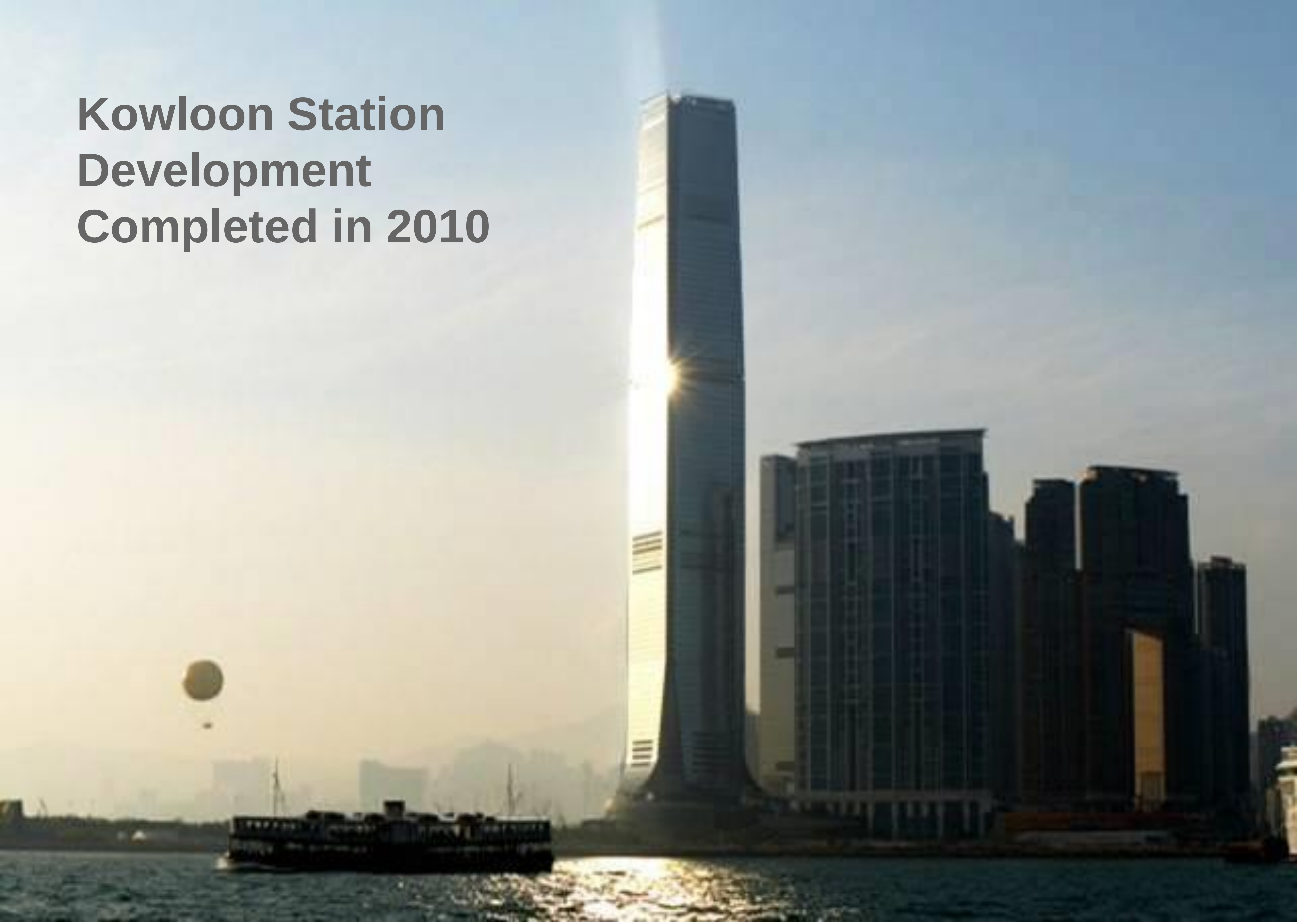
Integrated Planning, Design and Delivery

- Residential
- Offices
- Shopping Malls
- Schools
- Green Spaces
- Public Facilities
- PTI
- Railway

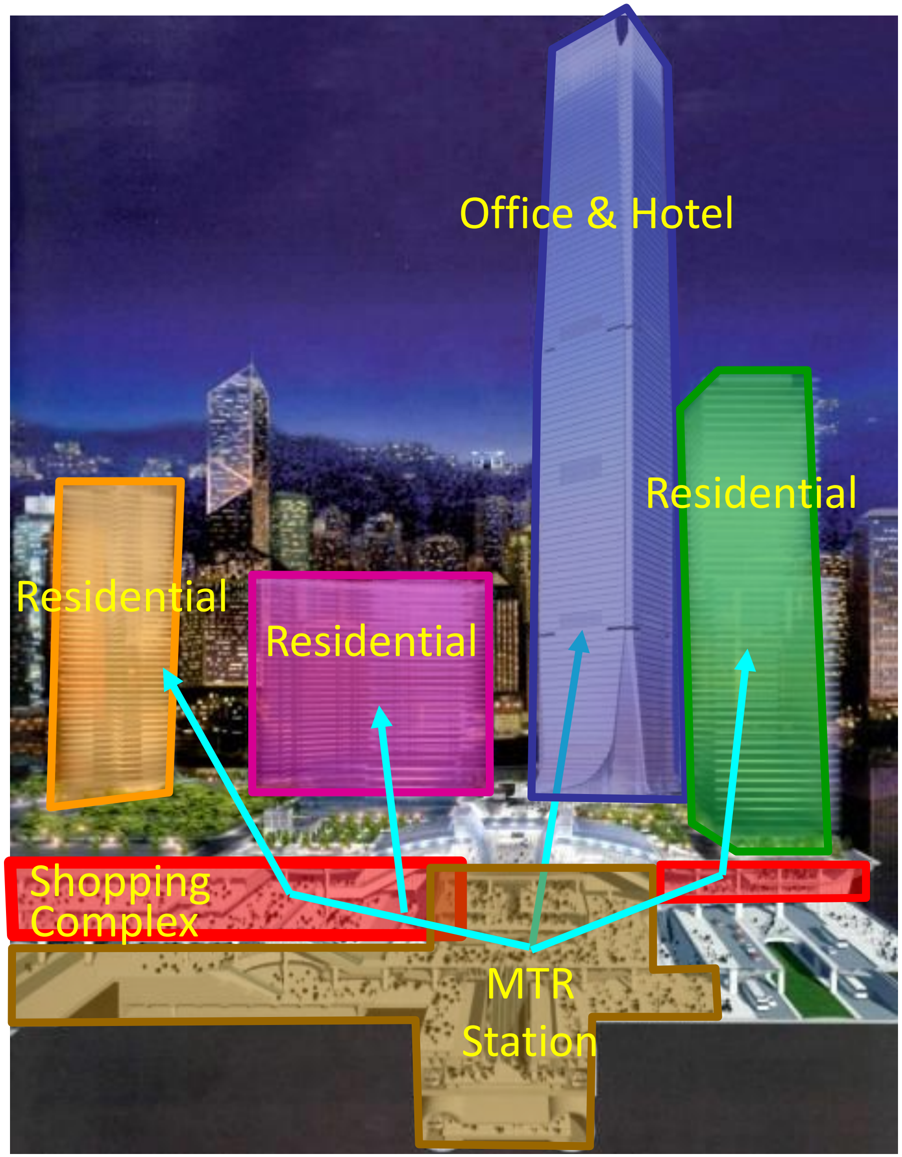
MTR – integrated approach to station development

- Urban planning capability in-house
- In-house design and architectural/planning capability
- Knowledge of local property market
- In-house retail income management capability
- In-house property management team
- Total asset responsibility for build and maintenance

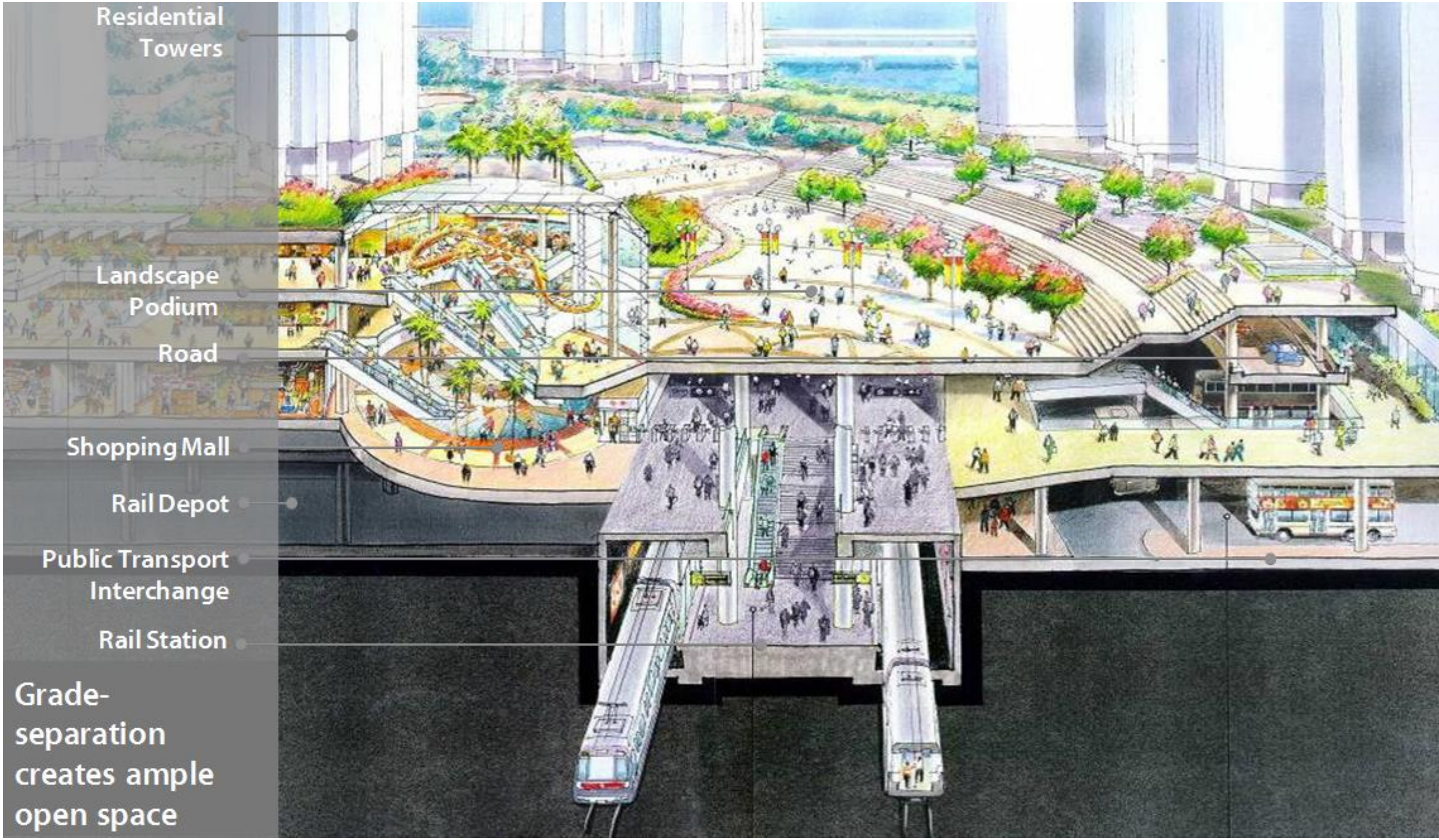
Kowloon Station Development Completed in 2010



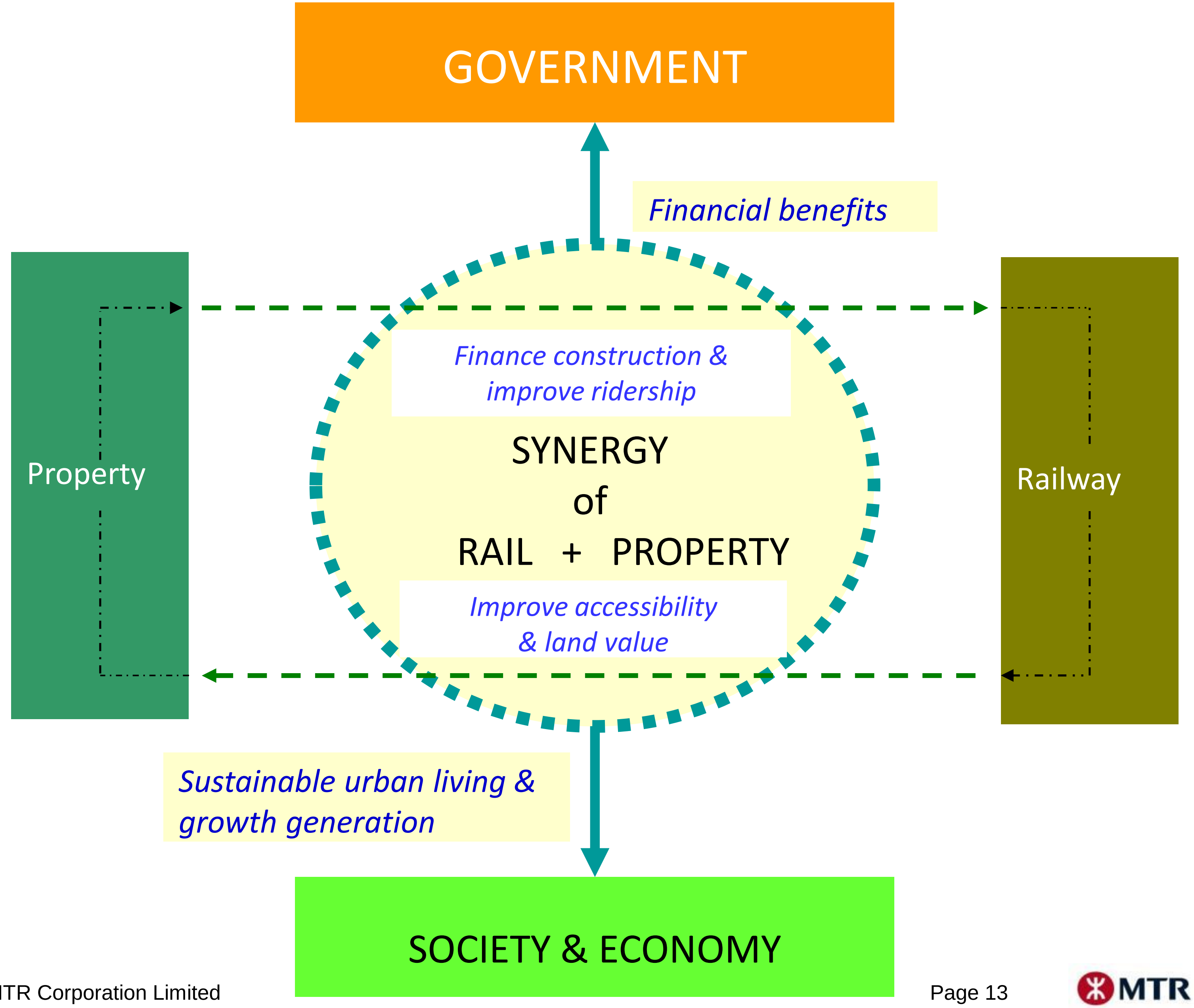
Integrated Development at Kowloon



Integrated Development at LOHAS Park



Benefits of MTR R+P development model



Private Sector Capital into Transport

Key benefits can be:

- appropriate transfer of risk (e.g. of construction, of long term delivery)
- take advantage of private sector know-how (e.g. design specification)
- take advantage of private sector procurement benefits
- realise synergy of coordinated and optimal investment ('rail and property')

Benefits of Operator-led Development

- Optimise overall design and land-use
- Value engineering of build – materials, build method
- Optimise construction process – disruption, risk mitigation
- Optimise whole-life cost – between up-front build and on-going maintenance costs
- Alignment over build quality, fitness-for-purpose, and eventual system performance (e.g. noise, vibrations, energy)

MTR Rail + Property Model

- Benefits to HK Community:
  - Modern high quality transport service
  - Affordable fares
  - Quality retail / leisure facilities close to housing
  - Sustainable communities

Tung Chung Station Development

Tseung Kwan O LOHAS Park Development

MTR Rail + Property Model

- Benefits to MTR:

  - Increased patronage

  - Increased retail and commercial revenues

  - Enhanced return to shareholders

Conclusion

- Optimal financial model of urban railway construction and operation
- Creation of high quality sustainable communities by integrating transportation for working, living and leisure