

CONNECTIONS *IN MOTION*





HONG KONG NETWORK EXPANSION



Shatin to Central Link will

**Strengthen
the Linkage**



between the New Territories
and Hong Kong Island

South Island Line (East) will

**Cut
Travel
Time**



and **Traffic
Congestion**

Express Rail
Link will



**Enhance
Connectivity**
with the
Mainland

Good progress was made on the five major projects we are undertaking to expand our railway network in Hong Kong. Construction works pressed ahead on the West Island Line and Express Rail Link, and construction works began on the South Island Line (East), Kwun Tong Line Extension and the Advance Works of the Shatin to Central Link.

We currently have over 7,000 workers on our project sites and safety remains our number one priority. Despite the efforts of our staff and contractors, we had two contractor fatal accidents in 2011, whilst our Reportable Accident Frequency Rate was better than the rate for the Hong Kong construction industry. We are working in close partnership with our contractors to keep accidents to an absolute minimum. To this end, we recently rolled out five new initiatives to raise safety awareness and improve safe working behaviour on our sites.

WEST ISLAND LINE

The 3-km extension of the Island Line is targeted to open in 2014. In April 2011, the re-provisioned facilities for the new David Trench Rehabilitation Centre and the Kennedy Town Swimming Pool (Phase 1) were handed over to their operators. Both facilities have therefore started providing services to the community after being re-provisioned to make way for the railway extension. The challenging 54-hour shutdown of Sheung Wan Station to enable the track re-configuration works at the station was successfully completed in August 2011, with minimal disruption to railway travellers and to the flow of road and pedestrian traffic in the area.

In the same month, permanent structure works commenced with a concrete slab pour for Kennedy Town Station. Tunnelling work saw major milestones passed with the commencement of the tunnel boring to connect Sheung Wan to Sai Ying Pun, and breakthrough of the first section of railway tunnel between Sai Ying Pun and Hong Kong University using drill and blast excavation. Detailed design works have been substantially completed by December 2011, and all of the final Electrical and Mechanical (E&M) contracts have now been awarded.

SOUTH ISLAND LINE (EAST)

In May 2011, the Company entered into the Project Agreement with Government for the construction and operation of the South Island Line (East). The 7-km South Island Line (East) will extend MTR services from Admiralty to the Southern District of Hong Kong Island, with a train depot located in Wong Chuk Hang. Most of the major civil construction contracts have been awarded and construction activities are proceeding. Procurement for E&M contracts is progressing well and critical advance works to relocate the Admiralty Distribution Substation were substantially completed by January 2012.

We have conducted extensive consultation with the public and concerned stakeholders, including three rounds of community liaison group meetings during 2011.

KWUN TONG LINE EXTENSION

In May 2011, the Company also entered into the Project Agreement with Government for the Kwun Tong Line Extension. The 2.6-km extension will run from Yau Ma Tei Station on the Kwun Tong Line to the new Whampoa Station via the new Ho Man Tin Station. It is targeted to open in 2015.

Construction works started in May 2011 and all civil and E&M contracts were awarded by January 2012. In July 2011, we signed an agreement with Hutchison Whampoa Limited to include entrances to connect the planned Whampoa Station with the adjoining developments. A ground-breaking ceremony was held at the Ho Man Tin Station site in the same month.

Stakeholder liaison has continued throughout 2011, with the Company providing quarterly updates to the local community and resident groups on site progress and planned activities.



The South Island Line (East) will provide railway services to the Southern District of Hong Kong Island

EXECUTIVE MANAGEMENT'S REPORT

HONG KONG NETWORK EXPANSION

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 intercity passenger rail network in the Mainland of China. Services are expected to start in 2015.

Tunnelling works for the Express Rail Link have made substantial progress this year. Blasting at the Pat Heung tunnel adit commenced in May 2011, and at the Tai Kong Po second shaft in November. The first Tunnel Boring Machine (TBM) commenced operations at Mai Po in September 2011. Blasting at the Kwai Chung tunnel adit was completed in October 2011, and excavation of the main tunnel commenced. By year end 2011, 15% of drill and blast tunnelling excavation had been completed.

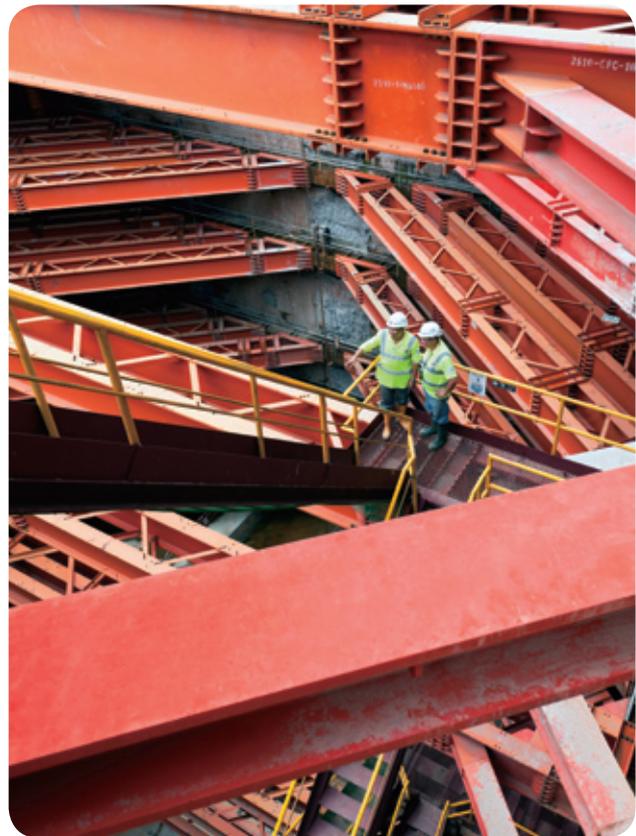
For the West Kowloon Terminus construction, foundation works were completed during the year and 14% of all bulk excavation works were completed by year end.

Award of E&M contracts for the Express Rail Link commenced in January 2011, and the final major civil works contract for the West Kowloon Terminus was awarded in October 2011.

A joint design taskforce has been formed by the West Kowloon Cultural District Authority and the Company to coordinate the design interface between the West Kowloon Terminus and the West Kowloon Cultural District.

SHATIN TO CENTRAL LINK

The Shatin to Central Link comprises two sections. An 11-km extension of the Ma On Shan Line will run from Tai Wai to Hung Hom, where it will connect with the West Rail Line to form an East West Corridor. A 6-km extension of the East Rail



Project management requires collaboration among many parties

Line from Hung Hom to Hong Kong Island will become Hong Kong's fourth rail harbour crossing and form a North South Corridor. The link will comprise a total of ten stations and create six new interchanges linking existing and future railway lines for added passenger convenience and reduced travel times. The detailed design of the Tai Wai to Hung Hom section was substantially completed by year end 2011.

The Entrustment Agreement for the advance railway works for the Shatin to Central Link's share of enhancements to Admiralty Station as well as the new Ho Man Tin Station, together with the non-railway works for the re-provisioning of the New International Mail Centre, was signed on 17 May 2011 with Government. Construction contracts for the re-provisioning of the New International Mail Centre and the contract for procurement of new mail sorting equipment and services have been awarded. Procurement for the first major contract for the railway works commenced in December 2011.

Two scheme amendments were gazetted under the Railways Ordinance on 15 July and 11 November 2011. The proposed amendments were mainly to accommodate changes resulting from design development and to facilitate the Company in achieving the target of completing the statutory consultation process within the first half of 2012.



Massive tunnel drilling jumbos are working underground in the "drill and blast" sections for the Express Rail Link

CORPORATE RESPONSIBILITY HIGHLIGHT

PROMOTING SAFE AND ETHICAL BUSINESS PRACTICES

We always go the extra mile to ensure the safety of the public. Every arrangement for our construction projects is therefore planned with the mindset of safeguarding the safety of those around us. For instance, our contractors assist pedestrians, particularly the young, elderly and disabled and guide them through the altered traffic conditions. We partner with our contractors to implement international best practice wherever possible. Regarding environmental protection, we are committed to controlling noise, air and water pollutants so as to reduce the environmental impacts of our projects as much as is reasonably achievable.



The Environmental Impact Assessment (EIA) reports we had submitted were withdrawn in April 2011 following the judicial review of the EIA process for the Hong Kong-Zhuhai-Macau Bridge project. Subsequently, the final reports were re-submitted on 12 October 2011 after the judgement in favour of the Government for the bridge project was handed down by the Court of Appeal in September 2011. We continue our discussions with Government on the entrustment agreement to implement the Shatin to Central Link.

OTHER DEVELOPMENTS

We have made progress on a number of subways and pedestrian links to improve the connectivity of our existing railway network. Government has granted policy support for the Carnarvon Road Subway. Design of the Lee Tung Street Subway project is in progress, and we are preparing to tender the Tsim Sha Tsui Station Entrance A1 enhancement works.

The Company is also supporting and responding to Government's Review and Update of the Second Railway Development Study (RDS-2U), which will determine the updated strategy for future railway projects.

PROJECT FUNDING MODEL

The funding for our five new Hong Kong rail projects takes different forms, according to the nature of each project. Three of the new lines, namely the West Island Line, the South Island Line (East) and the Kwun Tong Line Extension, are being financed and will be owned by the Company. The remaining two, namely the Express Rail Link and the Shatin to Central Link, are being financed and will be owned by Government and the Company will be invited to operate and maintain these lines under the "Service Concession" model.

The West Island Line uses the capital grant model and the total grant amount of HK\$12,652 million has already been received from Government. The South Island Line (East) and the Kwun Tong Line Extension are financed under the "Rail plus Property" model. Property development rights for sites at Wong Chuk Hang and Ho Man Tin have been granted to the Company for these two lines respectively.

For the Express Rail Link, the Finance Committee of the Legislative Council (LegCo) approved the funding of HK\$66.9 billion (in money-of-the-day prices) for construction of both the railway and non-railway works on 16 January 2010. Out of this total, the Company will be paid a project management fee of HK\$4,590 million and will be invited to operate the railway service on a concession basis upon completion. The Shatin to Central Link will be funded by Government. The Finance Committee of LegCo approved funding for the advance railway works for the Shatin to Central Link's share of enhancements to Admiralty Station as well as the new Ho Man Tin Station and the non-railway works for the re-provisioning of the New International Mail Centre on 18 February 2011.

HONG KONG NETWORK EXPANSION AT A GLANCE

Network Extensions	Estimated Route Length	Project Funding
West Island Line	3 km	Capital Grant
South Island Line (East)	7 km	Rail plus Property
Kwun Tong Line Extension	2.6 km	Rail plus Property
Express Rail Link	26 km	Service Concession
Shatin to Central Link		
– Tai Wai to Hung Hom	11 km	Service Concession
– Hung Hom to Hong Kong Island	6 km	Service Concession