



Shatin to Central Link  
Tai Wai to  
Hung Hom Section

99.8%  
Complete



Hung Hom to  
Admiralty  
Section

82.3%  
Complete



Worked with Government on  
detailed planning and design

of **3 Railway  
Projects**

under Railway Development  
Strategy 2014

# HONG KONG NETWORK EXPANSION

## AIM

The expansion of our Hong Kong railway network contributes to our goals by enhancing connectivity and ensuring we meet future transport needs. All new railway projects take years of careful planning and diligent execution to ensure they meet the community's expectations for safety, efficiency and the environment.

## CHALLENGES

- Target completion of full Tuen Ma Line is anticipated to be in 2021, and the targeted completion of Hung Hom to Admiralty Section in the first quarter of 2022 is still facing challenges
- Continue to cooperate with relevant authorities, including the Commission of Inquiry, on their review of the Hung Hom incidents under the Shatin to Central Link project
- Maintain knowledge pool and expertise gained during construction projects for future railway projects under Railway Development Strategy 2014, including the three new lines mentioned in the 2019 Policy Address

## STRATEGIES

- Deliver Targets: Implement modern digitised project management platform to ensure good progress and safety of the Shatin to Central Link project

- Interfacing Effectiveness: Strengthen collaboration among internal departments and with key external stakeholders. Enhance integration on the handover of railway extension projects to the operating railway
- Growth and Development: Create a dynamic and interactive platform to develop new railway projects and establish a pipeline of future project deliveries in Hong Kong. Leverage opportunities from projects to grow competency that can contribute to the Company's business diversification and long-term sustainability

## OUTLOOK

Although we made steady progress on the Shatin to Central Link project during the year, its final delivery will be dependent on a number of factors both within and outside the Company's control. These include the timeliness and quality of construction work carried out by contractors, interface and integration issues with existing operating lines, as well as repairs to damage caused during the public order events. While the Tuen Ma Line Phase 1 commenced service in February 2020, we will work to complete the remaining sections of the Shatin to Central Link. We also anticipate working closely with Government on the three new railway projects under Railway Development Strategy 2014 on their detailed planning and design.

In 2019, we made further progress on the Shatin to Central Link. Looking beyond the Shatin to Central Link, the projects announced under the Railway Development Strategy 2014 ("RDS 2014") have the potential to increase Hong Kong's railway network by a further 35 km. We welcomed the

intention of the Government, as mentioned in the 2019 Policy Address, to commence the detailed planning and design for three new lines: the Tung Chung Line Extension, Tuen Mun South Extension and Northern Link (and Kwu Tung Station).

## BUSINESS REVIEW

### HONG KONG NETWORK EXPANSION

#### SHATIN TO CENTRAL LINK

The ten-station 17-km Shatin to Central Link, a project managed by MTR on behalf of Government, is a strategic railway that will enhance the existing rail network and improve connectivity in Hong Kong. The first phase is the 11-km Tai Wai to Hung Hom Section, and the second phase is the 6-km Hung Hom to Admiralty Section.

The first phase, the Tai Wai to Hung Hom Section, will connect the Ma On Shan Line to the West Rail Line, via Diamond Hill and Hung Hom stations, to form the Tuen Ma Line. When the second phase, the Hung Hom to Admiralty Section is completed, the East Rail Line will run under Victoria Harbour to Exhibition Centre Station and Admiralty Station via Hung Hom.

When completed, the Shatin to Central Link as a whole will connect several existing railway lines and significantly reduce travel time between the New Territories North, Kowloon and Hong Kong Island. Passengers will also have more alternative routes to choose from, particularly in the busy cross-harbour section of the Tsuen Wan Line and the Tai Wai to Kowloon Tong section of the East Rail Line.

#### Project Progress

As at 31 December 2019, 99.8% of the Tai Wai to Hung Hom Section and 82.3% of the Hung Hom to Admiralty Section had been completed.

At Exhibition Centre Station, all bulk excavation works for the station were completed in June 2019. Progress on the remaining foundation works, including piling works for station entrances and nearby facilities, continued during the year as did construction works for the station superstructure, West Approach Tunnels and related ventilation facilities.

Construction works for the cross-harbour immersed tube tunnel and the bored tunnels on the Hong Kong Island section were completed in 2019. At year end, the project team was carrying out track laying, electrical and mechanical installation works to pave the way for the installation of the overhead line and trackside equipment.

#### Programme for delivery

On 11 February 2020, the Company entered into relevant agreements with Government and KCRC to supplement the current agreements to enable the Company to operate the Tuen Ma Line Phase 1 in substantially the same manner as the existing railway network for a period of two years from 14 February 2020.

The Tuen Ma Line Phase 1 opened on 14 February 2020 enables passengers on the Ma On Shan Line to travel directly to Kai Tak Station in East Kowloon via Hin Keng and Diamond Hill stations. Meanwhile, the expanded Diamond Hill Station has become a new interchange between the Tuen Ma Line and Kwun Tong Line, allowing passengers from the New Territories North and East districts to travel onward to East Kowloon and Hong Kong Island East more conveniently.

The full line opening of the Tuen Ma Line is anticipated to be in 2021. As for the Hung Hom to Admiralty Section (East Rail Line extending to Admiralty Station), the targeted completion in the first quarter of 2022 is still facing challenges and there are continuing efforts being made with the aim of meeting the programme.

As the existing East Rail Line will connect with the future Hung Hom to Admiralty section, its signalling system must be upgraded for compatibility with the Shatin to Central Link project. Damage to facilities on the East Rail Line as a result of the recent public order events has caused delays to the originally scheduled testing of the new signalling system during non-service hours.

#### Concerns relating to construction works

In the first half of 2018, allegations were raised concerning the workmanship of certain construction matters relating to three stations of the Shatin to Central Link, in particular the works at Hung Hom Station extension.

We took immediate steps to investigate these matters and report the Company's findings to Government while reserving the Company's position against relevant contractors.

A Commission of Inquiry ("COI") was subsequently set up by the HKSAR Chief Executive in Council to investigate matters relating to the diaphragm wall and the platform slab at the Hung Hom Station extension, as well as the adequacy of the Company's project management and supervision systems, among other issues.

On 19 February 2019, Government announced that the terms of reference of the COI had been expanded to cover issues relating to the North Approach Tunnels ("NAT"), the South Approach Tunnels ("SAT") and the Hung Hom Stabling Sidings ("HHS") under Contract No. 1112.

On 26 March 2019, the Government published the redacted Interim Report of the COI concerning project quality issues at the Hung Hom Station extension. While recognising it to be

an interim report, the COI found that the Hung Hom Station extension diaphragm wall and platform slab construction works are safe.

The COI also made a number of comments regarding the Company's performance and systems as well as a number of recommendations for the future. We welcomed such recommendations, many of which concurred with the findings of our own review conducted by the Capital Works Committee of the Board. We have already begun implementing some of the recommendations and will continue to strengthen our project management regime.

The Final Report of the COI is expected to be submitted to Government by 31 March 2020.

In July 2019, the Company submitted to Government two separate final reports in respect of incidents relating to the Hung Hom Station extension, NAT, SAT and HHS. These reports contain, inter alia, proposals for suitable measures required at certain locations to achieve code compliance.

## Funding

Under the entrustment agreement for the construction and commissioning of the Shatin to Central Link between the Company and Government dated 29 May 2012 ("Entrustment Agreement"), Government is responsible for bearing all the work costs specified in the Entrustment Agreement, except for certain costs for which the Company is responsible under the existing service concession agreement with KCRC.

On 5 December 2017, the Company submitted its updated estimate to Government for review on the estimated Shatin to Central Link Cost to Complete for the main construction works under the Entrustment Agreement. The Company increased its estimate by HK\$16,501 million from HK\$70,827 million to HK\$87,328 million. Since submission of this updated estimate to the Government, the Company has been liaising with the Government to facilitate their review and verification process.

The Company carried out a further review and revalidation of the Shatin to Central Link Cost to Complete which was submitted to Government for review on 11 February 2020. The Company's submission included an additional amount of project management cost for the Company. Government responded with requests for further information and clarification and has objected to the inclusion of any additional amount of project management cost. As stated in the Company's announcement on 28 February 2020, the Company notes that Government has issued its paper for the first stage of the Legislative Council process for the approval of additional funding for the Shatin to Central Link project and that Government's paper does not include any provision by Government for any additional amount of project management cost for the Company. The Company is currently addressing these matters with Government. Once these issues are resolved the Company will issue an announcement regarding this matter. The Company continues to exercise rigorous cost control with the objective of ensuring that construction costs are contained as far as possible.

## OTHER NEW RAILWAY PROJECTS

In addition to the Shatin to Central Link, the Government has identified seven additional rail projects to be implemented under RDS 2014. Proposals have been submitted for five of these: the Tuen Mun South Extension, the Northern Link (and Kwu Tung Station), the East Kowloon Line, the Tung Chung West Extension (and Tung Chung East Station) and the North Island Line.

MTR will work with Government on the detailed planning and design for three new lines announced in the Chief Executive's 2019 Policy Address, namely the Tung Chung Line Extension, Tuen Mun South Extension and Northern Link. We expect to commence detailed planning and design on these new lines in 2020 and will continue to provide further information and details to Government in order to facilitate the formal release of Policy Support.

For the East Kowloon Line and North Island Line, we will continue to provide supplementary information on previously submitted project proposals to Government. In the year ahead, we will work closely with Government departments to address the technical and financial issues as requested.

For the Hung Shui Kiu Station and South Island Line (West), the two remaining projects to be implemented under RDS 2014, we received invitations to submit project proposals in May and June 2019 respectively. Technical studies are in progress to prepare submission of project proposals in 2020.

In the longer term, we look forward to participating in the strategic planning and transport studies to be undertaken by Government in 2020, to support the sustainable development of the rail network.