**2 Introduction to MTR Corporation Business**

**2.1 Objectives of Study (revised: 3 core businesses -> 4 core businesses)**

This project aims to:

1. carry out financial analysis of MTRC, Mass Transit Railway Corporation, and study the performance of the company in the 4 core businesses of Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property development & other businesses, and Mainland of China and international businesses;
2. study its business strategy and investigate if it has effectively utilized the railway network to transport public to its property development projects / malls and achieve for a mutual benefit in profit making;
3. verify if the management of the company has made use of their resources to generate further income; and
4. evaluate if the company is a good choice of investment.

To fulfill the project requirements, financial statements of the company in the previous years, up to 2014, will be obtained. Various financial ratios and comparison methods will be applied to analyze its performance and value. Findings will be discussed in detail for each of the core business as laid out in the following sections of the report.

**2.2 Background of MTR Corporation Company**

MTR is one of the world’s leading railway operators, it has over half of the world’s total busload which reaches 19 hundreds billion. Our report mainly covers the business of HK transport operation, HK property and international consultant business.

MTR has an average of 5.5 million passengers. We take MTR subway in our daily life. Accordingly, all members of the group have strong interest dig into the financial analysis of MTR Corporation and evaluate the management pattern lying under the financial data.

**2.2.1 History of MTR Corporation**

MTR has quite a long history. It was established in 1975 as the Mass Transit Railway Corporation with a mission to construct and operate, under prudent commercial principles, an urban metro system to help meet Hong Kong's public transport requirements. The sole shareholder was the Hong Kong Government. The Company was re-established as the MTR Corporation Limited in June 2000 after the Hong Kong Special Administrative Region Government sold 23% of its issued share capital to private investors in an Initial Public Offering. MTR Corporation shares were listed on the Stock Exchange of Hong Kong on 5 October 2000. Another major event happens on 2 December 2007 when the operations of the other Government-owned rail operator, the Kowloon-Canton Railway Corporation, were merged into the MTR, heralding a new era in Hong Kong railway development.

Nowadays, besides bringing convenient and efficient rails to Hong Kong residents, MTR brought new growth opportunities to the MTR Corporation's businesses in and outside of Hong Kong. The Corporation also operates airport express service. It is a high-speed link providing airport of Hong Kong with city’s major exhibition and conference center.

**2.2.2 Major Business (needs to be modified from 3 core business to 4 core)**

1. Property and Railway-related Business

MTR Corporation covers business of development of residential and commercial properties, property leasing and management, advertising, telecommunication services and international consultancy services.

1. Mainland and International Businesses

From its starting base in Hong Kong, the Corporation has expanded into the Mainland of China and taken on a range of railway-related projects and operations internationally. In the Mainland of China, the Corporation now operates Beijing Metro Line 4 and Line 14, Shenzhen Metro Line 4th and Hangzhou Metro Line 1. Internationally, the Corporation operates and manages London Overground, and TFL Rail, the first phase of the future Cross-rail service, in the United Kingdom, Melbourne Metro in Australia, Stockholm Metro and MTR Express, an intercity railway between Stockholm and Gothenburg in Sweden. In September 2014 the Northwest Rapid Transit Consortium, of which the Corporation is a shareholder, was awarded the Operations, Trains and Systems Public-Private Partnership contract for the Sydney Metro Northwest project in Australia. In November 2015, Beijing MTR Corporation Limited, of which MTR is a shareholder, signed the Concession Agreement for Beijing Metro Line 16, a Public-Private Partnership project and it will participate in the investment, operations and maintenance of this new line. In December 2015, MTR Nordic, a wholly owned subsidiary of the Corporation, was awarded the concession to operate and manage the Stockholm Commuter Rails System. On top of that, the scope of the Corporation's consultancy business also widened to cover cities across Asia, Australia and the Middle East.

Based on the successful "rail plus property" development model in Hong Kong, the Corporation has expanded into the Mainland of China with property businesses in Beijing, Shenzhen and Tianjin. The pre-sale of "Tiara", the first MTR property development project in the Mainland of China, was well received.

1. Consultancy and Contracting Services

MTR Corporation offers worldwide consultancy and contracting services on railway planning, design management, system integration & assurance, project management, construction management, railway operation & maintenance and non-fare revenue business.

The Corporation has provided services to a number of railway and metro companies, government authorities and rail system suppliers in Australia, the Mainland of China, India, the Middle East, Latin America and Southeast Asia. Locally in Hong Kong, it also provides operation and maintenance services for the Automated People Mover (APM) at Hong Kong International Airport. The APM is currently being expanded to match the growth in air travel.

**2.2.3 Financial Overview**

MTR Corporation operates an integrated railway network in Hong Kong comprising the MTR-built and owned metro railway lines and since 2 December 2007, the regional rail lines of the Kowloon-Canton Railway Corporation (KCRC) under a service concession arrangement. MTR is listed on the Stock Exchange of Hong Kong with a market capitalization of HK$185 billion as of 31 December 2014.

The Corporation finances its operating and capital requirements through a variety of means including debt and equity issuance, income from railway and related operations, and profits from property development, investment and management.

The Corporation was the first Hong Kong corporate entity to obtain internationally recognized credit ratings and has since maintained investment grade ratings on par with the Hong Kong Special Administrative Region Government. Currently, its foreign currency debts are rated AAA, Aa1 and AA+ respectively by Standard & Poor’s, Moody’s and Rating and Investment Information Inc. of Japan.