



**Steps Forward with You to Face every Challenges in Life**

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- **Successful Merger with KCR in Dec 2007**
  - ▶ **Market leader: 41.6% market share**
  - ▶ **Synergy effects increased revenue and ability to bid projects**
  - ▶ **Closer monitor from pressure groups**
- **Superior profitability to major competitor**
  - ▶ **Net profit margin 2007: 36% Vs 29%**
- **Sustainability as business culture**
  - ▶ **Business policies aim to sustain future growth and performance**

- **New Business Policies**
  - ▶ **Product**
  - ▶ **Marketing**
  - ▶ **Finance**
  - ▶ **Human Resources Management**
- **Performance Measurement Indicators**
- **Conclusion**
- **Q & A**

 **MTR** | **New Business Policies****Major considerations**

- **Global economic recession**
- **Needs and situation of customers and MTR**

 **MTR** | **Product**

- **Needs:**
  - ▶ **Customers – Save money**
  - ▶ **MTR – Increase recurring revenue**
- **Suggestion: Carrier service**

 **MTR** | **Carrier Service**

- **Service counters in stations**
- **Customers drop off/pick up parcel in a station and at a time convenient to them**
- **Parcel transported by a designated car during non-peak hours by existing staff**
- **Charges according to size, weight and no. of stations delivered**

# **MTR** | **Carrier Service - Advantages**

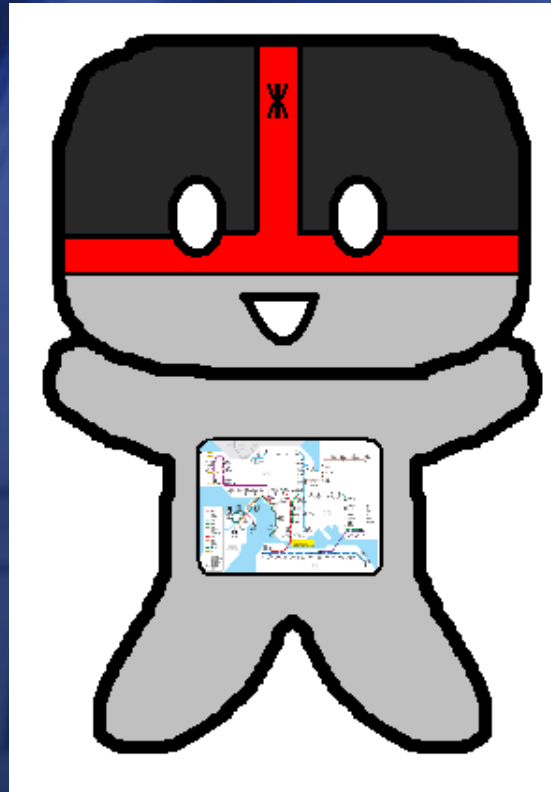
- **Customers**

- ▶ **Economical service**
- ▶ **Convenient locations**
- ▶ **Flexible time**

- **MTR**

- ▶ **Earn new recurring revenue at low cost**
- ▶ **Ease the crowdedness in cars**

- **Needs:**  
**Restore confidence of Hong Kong people**
- **Suggestion:**  
**Humorous approach to promote MTR's image of caring**

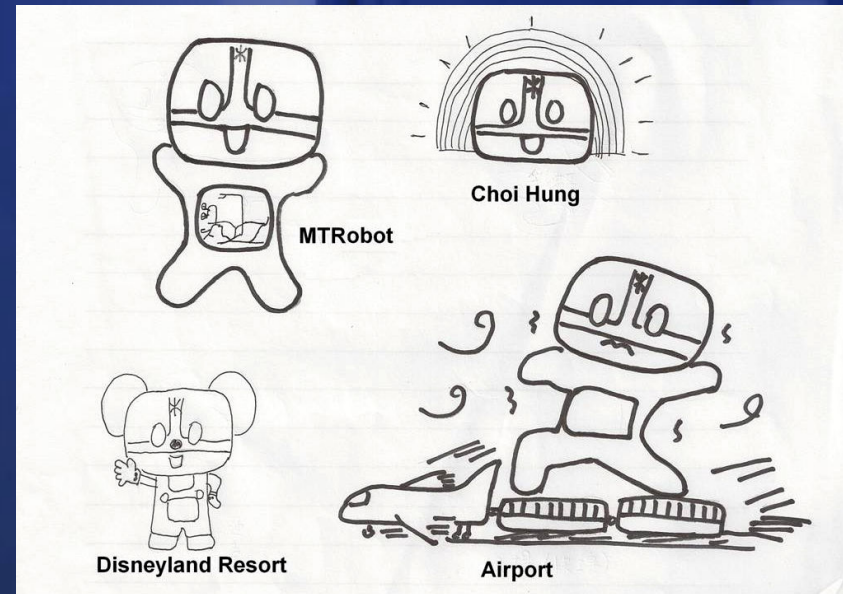
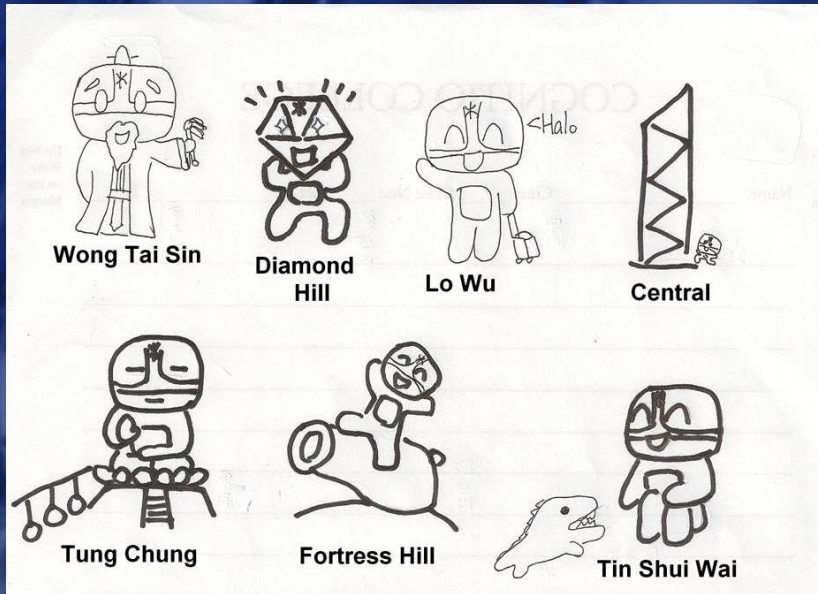


**Strong, High-tech, Optimistic**

- **Continuation of the Merger advertising campaign:**  
**“MTR grows up with you”**
- **New theme:**  
**“MTR steps forward with you to face every challenges in life”**
- **Media/promotion:**  
**TV commercials, souvenirs collection**



# MTRobot Collection - Limited Edition



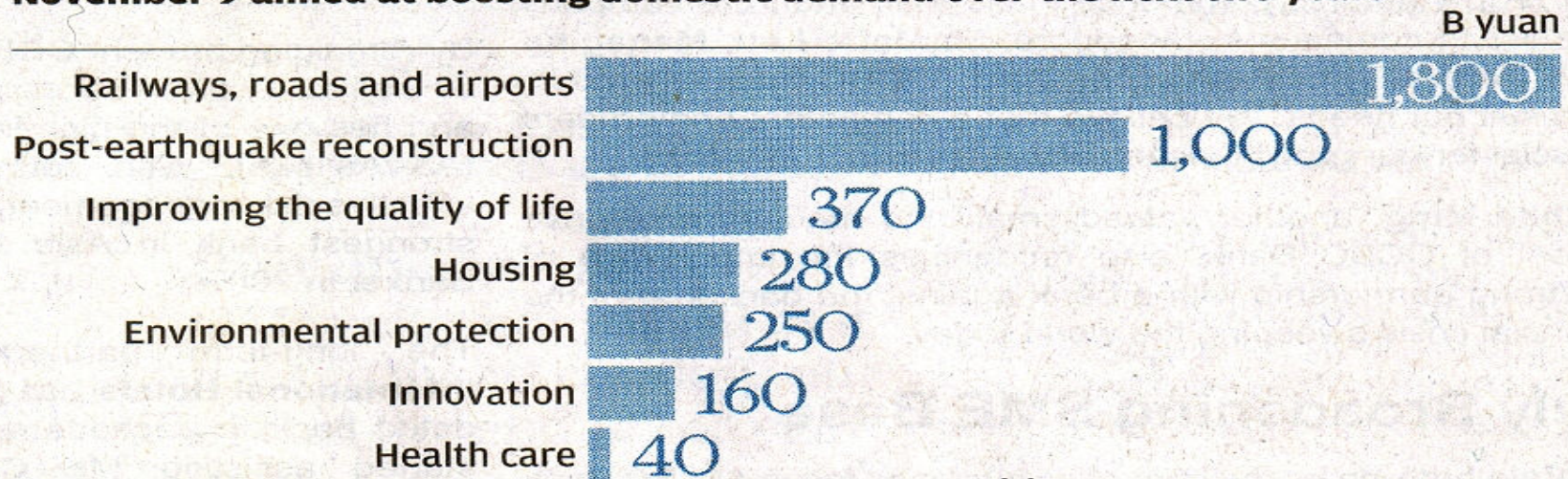
- **Problem: Over dependent on property developments**

<b>2007 Results</b>	<b>Railway Operation and Related Activities</b>	<b>Property Developments</b>
Profit (HK\$ million)	5,912	8,304
Return on assets (%)	2.9%	47.7%

- **Needs: Explore business opportunities**

- **Opportunity:**

**Partial breakdown of Beijing's 4 trillion yuan stimulus package announced on November 9 aimed at boosting domestic demand over the next two years**



*SCMP(Friday, November 28, 2008)*

- **Suggestion: Continual resources on R&D**
  - ▶ Capture construction projects and consultancy business in China and overseas

## Taking a risk

	Investment in structured products	Yesterday's close (HK\$)	Change (%)
Citic Pacific	A\$9.44 billion	5	▲1.83
Hunan Nonferrous Metals Corp	A\$28.5 million	0.54	▼5.26
China Railway Group	Undisclosed amount in A\$	3.80	▼7.09
Guangdong Investment	HK\$5.2 billion in interest-rate swaps	1.73	▲4.22
<b>China High Speed Transmission Equipment Group</b>	<b>1 billion yuan equity swap to hedge convertible bonds</b>	<b>6.50</b>	<b>▼29.42</b>
Hutchison Whampoa	HK\$1.2 billion in currency swaps HK\$88.45 billion in interest-rate swaps	42.30	▼6
Shanghai Industrial Holdings	HK\$2 billion in interest-rate swaps	13.22	▼3.36
MTR Corp	HK\$25 billion in foreign exchange forwards and interest-rate swaps	16.04	▼4.75

The Hang Seng Index fell 3.55 per cent yesterday

SCMP GRAPHIC

SOURCE: CLSA

SCMP (Friday, October 24, 2008)

- **Needs: Better risk management**
- **Suggestion: More cautious about investment and asset protection**



# Human Resources Management

- **Problems:**

- ▶ Low morale of “KCR” staff – uncertainties from Merger
- ▶ “Too save” to work hard? – MTR took all KCR employee

- **Needs:**

- ▶ Raise morale
- ▶ Utilize synergy effects of Merger



# Human Resources Management

- **Suggestions:**

- ▶ **Information sharing – evade uncertainties**
- ▶ **Team building – raise spirit, promote cooperation between “old and new”**
- ▶ **Participation and empowerment – increase job satisfaction**
- ▶ **Linkage of performance and compensation – increase motivation**
- ▶ **Coordination and job design – save cost**



# Performance Measurement Indicators (PMI)

- Specify what to achieve
- Enable evaluation and control
- Direct efforts to strategic goal

**Suggestion:**

- **Set a target % of total revenue from new product/project**

**Strategic goals:**

- **Promote creativity**
- **Motivate sourcing of new business opportunities**

**Suggestion:**

- **Maintain a % of last year profit to spend on educating the public**

**Strategic goals:**

- **Create goodwill**
- **Make contribution to the society**

 **MTR** | **Conclusion**

- **MTR should ride on its strengths and the synergy effects of the Merger to capture business opportunities and to overcome the challenges during the current economic hard time.**
- **Measures and policies should be implemented consistently with MTR's culture of sustainability – the key for future success.**

# Q & A

**Thank you**