MTR

MOVING FORWARD

Annual Report 2023

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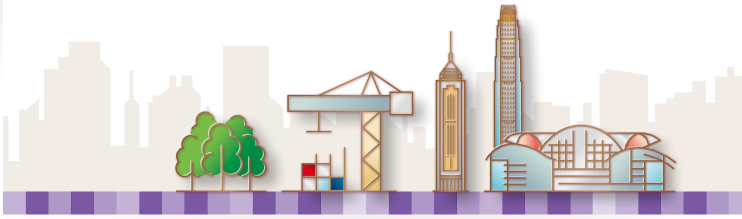

MOVING FORWARD

MTR Corporation Limited is pleased to present its 2023 Annual Report, "Moving Forward", an account of the Company's results and achievements during a transitional year between the myriad challenges of the COVID era and the promise of a brighter, post-pandemic future.

Over these 12 months, we continued to provide safe, reliable, accessible and low-carbon rail transport services, fulfilling our mission to "Keep Cities Moving". Our Cross-boundary and HSR services and Duty Free business all returned to full operations, and our property business once again delivered quality residential and commercial developments. We have also embarked upon the next phase of Hong Kong's railway infrastructure development, which is designed to further enhance connections between local communities and strengthen economic and social ties with our neighbours in the Greater Bay Area and Mainland China.

As we celebrate MTR's 45th anniversary in 2024, we are excited to continue building a future-ready organisation supported by cultures of excellence, innovation and sustainability. Our environmental, social and governance commitments are central to this aim, and we invite our shareholders and stakeholders to read about our environmental and social responsibility performance and efforts in our Sustainability Report 2023.

Annual Report 2023

Sustainability Report 2023

Our Vision

We aim to be an internationally-recognised company that connects and grows communities with caring, innovative and sustainable services.

Our Purpose

Keep Cities Moving

Our Values

- Excellent Service
- Value Creation
- Mutual Respect
- Enterprising Spirit

Our Cultural Focus Areas

- Participative Communication
- Collaboration
- Effectiveness & Innovation
- Agility to Change

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HIGHLIGHTS

3 STRATEGIC PILLARS

Hong Kong Core
Attain Full Potential of Hong Kong Core Business and Advance our Social Objectives

Mainland China and International Businesses
Expand into New Hubs and New Products across Mainland China and International Business, Maintaining a Steady Growth

New Growth Engine
Invest in New Technologies and Mobility Services to Reinforce our Core for Long-term Growth

HONG KONG BUSINESSES

99.9%+
Passenger Journeys On-time on Heavy Rail Network

Concluded the Review of **Fare Adjustment Mechanism** with Government

1.8+ billion
Total Patronage

Opened
The Wai and
THE SOUTHSIDE
Shopping Malls

MAINLAND CHINA AND INTERNATIONAL BUSINESSES

South Western Railway contract and **Melbourne's Metropolitan Rail**
Concession extended to May 2025 and mid-2026, respectively

Full-line opening of
Beijing Metro Line 16; Northern Section of Beijing Metro Line 17
commenced service

GROWTH AND OUTLOOK

Signed the **Project Agreements** for **Tung Chung Line Extension, Tuen Mun South Extension** and **Kwu Tung Station**
on the East Rail Line

Supporting Government on
Strategic Railway Initiatives
in Hong Kong

Sydney Metro North West Line City Section
targeted to open in 2024

14 Residential Property Projects
under Development

STAKEHOLDER ENGAGEMENT

2023 Stakeholder Engagement Actions and Achievements

Customers

- Provided on-going fare concessions to reduce economic hardship and promote accessibility and inclusivity
- Launched numerous smart mobility initiatives on the MTR Mobile app to enhance the customer experience; introduced the generative AI-enabled Virtual Service Ambassador at Quarry Bay Station
- Rolled out Phase 2 of the MTR • Care app with new features such as a portable ramp booking trial service and real-time lift status information to assist passengers with special needs
- Provided a more seamless way to shop for goods and services in station shops and connecting shopping malls
- Upgraded Automatic Fare Collection System ticket gates to enable more e-payment options for greater convenience; commissioned new trains for greater comfort

Investors

- Conducted approximately 200 meetings with investors to provide information on our various businesses
- Issued updates of key figures on our website and in financial reports
- Informed investors of all key announcements and updates
- Hosted the Annual General Meeting to provide an opportunity for shareholders to communicate face to face with Directors about the Company's performance and operations

Government and Regulators

- Worked closely with Government on Railway Development Strategy 2014 projects and signed various project agreements with Government
- Supported Government on the reopening of boundary control points and gradual resumption of cross-boundary train services in early 2023
- Celebrated the 26th anniversary of the establishment of the Hong Kong SAR by giving away free rides and supporting Government promotional campaigns
- Donated retired "Fly Head" train cars to the Development Bureau for display along the Wan Chai Harbourfront
- Hosted the Union Internationale des Transports Publics (UITP) Asia Annual Meeting, attended by public transport authorities and policy decision-makers

Actions for 2024 and Beyond

Customers

- Continue to provide on-going fare concessions and other promotions
- Develop new smart mobility initiatives to facilitate seamless travel; continue developing the MTR • Care app
- Continue to optimise our retail trade mix according to the latest trends and customer preferences
- Leverage advanced data platforms through the enriched MTR Mobile customer profile to enable data-driven personalisation and engagement applications for different passenger and customer segments
- Launch the quarterly "Hear Your Voice" campaign with online surveys and booths at selected stations to gauge customer feedback on railway services and facilities

Investors

- Continue to keep investors informed of all key announcements and updates via various channels
- Conduct physical meetings and roadshows
- Provide updates on progress of new railway projects

Government and Regulators

- Continue to support Government's policy of using railways as the backbone of Hong Kong's public transportation system, including the development of strategic railways under the "Hong Kong Major Transport Infrastructure Development Blueprint"
- Work with Government to implement future railway projects
- Maintain close communication with relevant bureaux and stakeholders on cross-boundary service enhancement and support Government policies
- Arrange station visits and engagement luncheons with the 18 District Councils
- Continue other on-going engagement initiatives

2023 Stakeholder Engagement Actions and Achievements

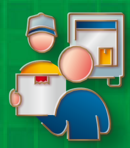
- Held educational, career and life planning events for students to provide unique developmental experiences for students and promote railway safety
- Provided sponsorships and volunteer services to NGOs and ethnic minorities
- Leased station shops to NGOs at nominal rent and provided free advertising space to NGOs
- Launched “Caring for Elderly Month” to promote railway safety and offered free rides for seniors on Senior Citizens Day
- Arranged a series of “Art in MTR” community exhibitions and art performances to engage local and international artists and promote station art
- Reopened the revamped MTR Gallery to showcase the Company’s history and its connection with the community through entertaining exhibits, interactive multimedia games and attractive photo spots

- Enhanced the list of current suppliers to manage them more efficiently and effectively, including increasing the number of SMEs on the list
- Organised exchange and training sessions regarding our environmental, social and governance initiatives and best practices for related supplier categories
- Established a long-term strategy and engagement plans for focus categories and suppliers
- Conducted supplier audits and suggested areas for improvement on supply chain and procurement
- Conducted Supplier Management Meetings with key suppliers to strengthen business relations and understand the latest innovations and technologies for workload and process enhancements

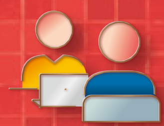
- Enhanced work-related allowances, such as those for working in adverse weather and during overnight shifts
- Implemented action plans for improvement based on 2022 pulse survey results; conducted Employee Engagement Survey in the fourth quarter of 2023
- Bestowed Special Recognition Awards to recognise colleagues’ efforts during the extreme rainstorms of September 2023
- Held MTR Wellness Month in October 2023 to promote financial, physical and mental well-being for more than 6,500 participating headcount
- Partnered with Government departments and NGOs to promote diversity and inclusion in the workplace
- Introduced half-time jobs under a Pilot Job Sharing Scheme, offering employees greater work-life flexibility

Communities

Contractors and Suppliers



Employees



Actions for 2024 and Beyond

- Provide updates on our environmental and social engagement strategies to ensure that our programmes suit the needs of different segments of society
- Expand the railway network to connect more communities with safe, environmentally friendly, affordable and accessible mass transit while actively communicating with and offering support to local communities regarding railway project development
- Establish several joint collaborations on innovative intelligence with various academic institutes
- Continue other on-going engagement initiatives

- Continue enhancing current supplier lists to ensure sound management
- Conduct a preliminary survey on carbon emissions resulting from our use of supplier services and products
- Continue to rationalise our long-term strategy for focus categories and suppliers
- Enhance the supplier audit scheme and extend supplier audits to global MTR suppliers
- Continue to conduct Supplier Management Meetings with key suppliers

- Communicate the results of the Employee Engagement Survey to staff in the first quarter of 2024 and develop a follow-up action plan for implementation
- Celebrate MTR’s 45th anniversary together with all staff
- Continue maintaining a two-tiered Staff Consultation Mechanism; maintain rapport through open dialogue and regular communications with the eight staff unions
- Continue other on-going engagement and employee wellness initiatives, such as the Work From Home policy, Metro Recreation Club, “More Time Reaching Community” staff volunteering scheme and 24-hour counselling service hotline, and launch the enhanced Wellness Platform

ESG HIGHLIGHTS

Social Inclusion

Advancement & Opportunities

Greenhouse Gas Emissions Reduction

KEY KPIS FOR 2023 ACHIEVED

Launch of **Social Inclusion App Phase 2** with the Expansion of Visually Impaired Function

200+ Employment and Pre-employment Opportunities were provided for **Young Talents**

Set Science-based Carbon Reduction Targets for the year **2030** for our Railway and Investment Property Businesses in Hong Kong

150+ Diversity, Equity and Inclusion Training Events held

At least 10 Wellness Related Activities/Events were Organised for Employees

100% Shopping Malls collected Glass Containers for Recycling

10% of our Interns were Persons with Disabilities or Ethnically Diverse

60+ Suppliers Attended **Training Sessions on ESG** Best Practices

7 Stations achieved **BEAM Plus Provisional Gold** or above certification

KEY AWARDS

Hong Kong Transport Services

- **Elite Enterprise Award (Public Transport Services), Elite Enterprise Awards 2023**
  East Week
- **Public Transportation Service Award, Sing Tao Service Awards 2023**
  Sing Tao Daily
- **Public Transportation Service Award, Elite Awards 2022**
  Ming Pao Weekly
- **Supreme Public Transport Service Award, True Living Supreme Brand Awards 2023**
  AM730
- **Winner in Technological Innovation, UITP Awards 2023**
  International Association of Public Transport

Hong Kong Property Businesses

- **ELEMENTS**
  - **Top 10 Shopping Mall Award, Shopping Mall Awards 2022 – 2023**
    U Magazine
  - **Top Ten Malls, Digital EX Awards 2023**
    Metro Finance
- **Telford Plaza**
  - **Shopping Mall Award for Warm Service, Hong Kong Service Awards 2023**
    East Week
- **Maritime Square**
  - **Market Leadership in Shopping Development, Market Leadership Award 2022/2023**
    Hong Kong Institute of Marketing

Finance and Investor Relations

- **Bronze Award – General Category, 2023 Best Annual Reports Awards**
  The Hong Kong Management Association
- **Six awards received in 2023 International Annual Reports Competition (ARC) Awards**
  MerComm, Inc.

Environmental, Social and Governance

- **15 Years Plus Caring Company Logo**
  Hong Kong Council of Social Service
- **Bronze Award – Excellence in Employee Care & Wellbeing, HR Distinction Awards 2023**
  Human Resources Online
- **"Super Manpower Developer" status, Manpower Developer Award Scheme**
  Employees Retraining Board
- **Hong Kong Sustainability Award 2023**
  - **Distinction Award (Large Organisation Category)**
  - **Excellence in Economic Sustainability Initiative**
  - **Excellence in Social Sustainability Initiative**
  - **Excellence in Innovation**

  The Hong Kong Management Association
- **Best ESG Reporting Award (Logistics & Transport)**
  The Hong Kong Management Association
- **TVB ESG Awards 2023**
  - **Outstanding ESG Award**
  - **Best in ESG Practices**
  - **Best in ESG Report**
  - **ESG Project Innovation Award**
  - **Innovative Climate Technology Award**

  Television Broadcasts Limited

Mainland China and International Businesses

- **BJMTR**
  2023 China Best Employers Award Top 100
  Zhaopin.com
- **MTR (SZ)**
  2022/2023 Annual Awards for National Excellent Foreign-Invested Enterprises
  China Association of Enterprises with Foreign Investment and Shenzhen Association of Enterprises with Foreign Investment
- **Elizabeth Line**
  Special Award – Elizabeth Line Launch, Golden Whistle Award 2023
  Modern Railways and the Institution of Railway Operators
- **Melbourne metropolitan rail service**
  Australasian Rail Industry Awards 2023
  - **Passenger Operations Excellence Award**
  - **Safety Excellence Award**
  - **Customer Service Excellence Award**
  - **Rail Innovation of the Year Award**

  The Australasian Railway Association
- **Sydney Metro North West Line**
  Operator & Service Provider Excellence Award, National Infrastructure Awards 2023
  Infrastructure Partnerships Australia

KEY FIGURES

	2023 HK$ million	2023 %	2022 HK$ million	2022 %	Favourable/ (Unfavourable) Change %
Total revenue					
Recurrent business revenue					
– Hong Kong transport services					
– Hong Kong transport operations	**20,131**	**35.3**	13,404	28.0	50.2
– Hong Kong station commercial businesses	**5,117**	**9.0**	3,077	6.5	66.3
– Total Hong Kong transport services	**25,248**	**44.3**	16,481	34.5	53.2
– Hong Kong property rental and management businesses	**5,079**	**8.9**	4,779	10.0	6.3
– Mainland China and international railway, property rental and management subsidiaries	**25,955**	**45.6**	26,016	54.4	(0.2)
– Other businesses	**700**	**1.2**	363	0.7	92.8
	56,982	**100.0**	47,639	99.6	19.6
Property development business revenue					
– Mainland China property development	**–**	**–**	173	0.4	n/m
Total revenue	**56,982**	**100.0**	47,812	100.0	19.2
Total EBITDA[1]					
Recurrent business EBITDA					
– Hong Kong transport services					
– Hong Kong transport operations	**5,954**	**33.8**	691	3.5	761.6
– Hong Kong station commercial businesses	**4,557**	**25.8**	2,555	13.1	78.4
– Total Hong Kong transport services	**10,511**	**59.6**	3,246	16.6	223.8
– Hong Kong property rental and management businesses	**4,016**	**22.8**	3,815	19.6	5.3
– Mainland China and international railway, property rental and management subsidiaries	**1,072**	**6.1**	1,265	6.5	(15.3)
– Other businesses, project studies and business development expenses	**(276)**	**(1.6)**	(474)	(2.4)	41.8
	15,323	**86.9**	7,852	40.3	95.1
Property development business EBITDA					
– Hong Kong property development	**2,329**	**13.2**	11,589	59.4	(79.9)
– Mainland China property development	**(13)**	**(0.1)**	59	0.3	n/m
	2,316	**13.1**	11,648	59.7	(80.1)
Total EBITDA	**17,639**	**100.0**	19,500	100.0	(9.5)
Total EBIT[(2)&(3)]					
Recurrent business EBIT					
EBIT					
– Hong Kong transport services					
– Hong Kong transport operations	**(1,111)**	**(10.6)**	(4,733)	(32.6)	76.5
– Hong Kong station commercial businesses	**3,792**	**36.3**	2,270	15.7	67.0
– Total Hong Kong transport services	**2,681**	**25.7**	(2,463)	(16.9)	n/m
– Hong Kong property rental and management businesses	**3,999**	**38.3**	3,800	26.2	5.2
– Mainland China and international railway, property rental and management subsidiaries[3]	**524**	**5.0**	962	6.6	(45.5)
– Other businesses, project studies and business development expenses	**(341)**	**(3.3)**	(539)	(3.7)	36.7
Share of profit of associates and joint ventures	**1,259**	**12.1**	1,095	7.5	15.0
	8,122	**77.8**	2,855	19.7	184.5
Property development business EBIT					
– Hong Kong property development	**2,329**	**22.3**	11,589	79.9	(79.9)
– Mainland China property development	**(13)**	**(0.1)**	59	0.4	n/m
	2,316	**22.2**	11,648	80.3	(80.1)
Total EBIT	**10,438**	**100.0**	14,503	100.0	(28.0)
Gain/(loss) from fair value measurement of investment properties	**1,386**		(810)		n/m
Interest and finance charges	**(1,139)**		(982)		(16.0)
Profit before taxation	**10,685**		12,711		(15.9)
Income tax	**(1,575)**		(1,608)		2.1
Profit for the year (before special loss provisions)	**9,110**		11,103		(18.0)
Special loss provisions	**(1,022)**		(962)		(6.2)
Profit for the year (after special loss provisions)	**8,088**		10,141		(20.2)
Non-controlling interests	**(304)**		(314)		3.2
Profit for the year attributable to shareholders of the Company	**7,784**		9,827		(20.8)
Profit/(loss) for the year attributable to shareholders of the Company arising from:					
Recurrent businesses					
– in Hong Kong	**4,940**		384		1,186.5
– outside Hong Kong	**(659)**		(227)		(190.3)
	4,281		157		2,626.8
Property development businesses					
– in Hong Kong	**2,035**		10,413		(80.5)
– outside Hong Kong	**48**		67		(28.4)
	2,083		10,480		(80.1)
Underlying businesses	**6,364**		10,637		(40.2)
Fair value measurement of investment properties	**1,420**		(810)		n/m
Total profit for the year attributable to shareholders of the Company	**7,784**		9,827		(20.8)

Notes

1 *EBITDA represents operating profit/(loss) before fair value measurement of investment properties, depreciation, amortisation, provisions for onerous contracts and impairment loss, variable annual payment, share of profit of associates and joint ventures, interest, finance charges and taxation.*

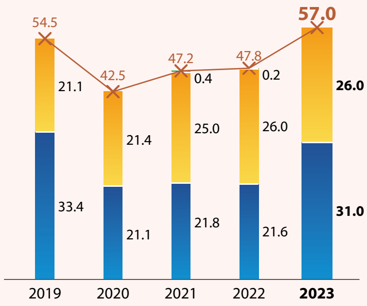
2 *EBIT represents profit/(loss) before fair value measurement of investment properties, interest, finance charges and taxation and after variable annual payment.*

3 *Excluding special loss provisions, being provisions for onerous contracts made for Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023 and impairment loss made for Shenzhen Metro Line 4 of HK$962 million in 2022.*

n/m: not meaningful

Total Revenue
(HK$ billion)

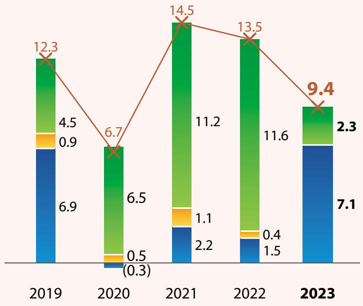
HK$57.0 billion
↑19.2%



Mainland China Property Development
Recurrent Businesses – Mainland China and International
Recurrent Businesses – Hong Kong
Total Revenue

Total EBIT
(HK$ billion)

HK$9.4 billion
↓30.5%

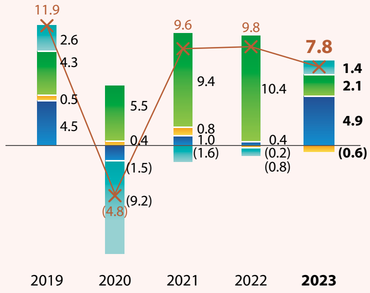


Property Development Businesses
Recurrent Businesses – Mainland China and International*
Recurrent Businesses – Hong Kong
Total EBIT

* *Including Provisions for Onerous Contracts and Impairment Loss, Share of Profit from Associates and Joint Ventures, and Project Studies and Business Development Expenses from Mainland China and International Businesseses*

Net Profit/(Loss) Attributable to Shareholders of the Company
(HK$ billion)

HK$7.8 billion
↓20.8%



Gain/(Loss) from Fair Value Measurement of Investment Properties
Property Development Profit
Recurrent Business Profit/(Loss) – outside Hong Kong
Recurrent Business Profit/(Loss) – in Hong Kong
Net Profit/(Loss) Attributable to Shareholders of the Company

	2023	2022	Favourable/ (Unfavourable) Change %
Financial ratios			
EBITDA margin[4] *(in %)*	**26.9**	16.5	10.4 % pts.
EBITDA margin[4] (excluding Mainland China and international subsidiaries[δ]) *(in %)*	**45.9**	30.5	15.4 % pts.
EBIT margin[5] *(in %)*	**10.2**^	1.8^	8.4 % pts.
EBIT margin[5] (excluding Mainland China and international subsidiaries[φ]) *(in %)*	**20.4**	3.7	16.7 % pts.
Net debt-to-equity ratio[6] *(in %)*	**26.5**	23.3	(3.2)% pts.
Return on average equity attributable to shareholders of the Company arising from underlying businesses *(in %)*	**3.6**	5.9	(2.3)% pts.
Interest cover[7] *(times)*	**9.8**	14.2	(4.4) times
Share information			
Basic earnings per share *(in HK$)*	**1.26**	1.59	(20.8)
Basic earnings per share arising from underlying businesses *(in HK$)*	**1.03**	1.72	(40.1)
Ordinary dividend per share *(in HK$)*	**1.31**	1.31	–
Dividend payout ratio (based on underlying business profit) *(in %)*	**127**	76	51% pts.
Share price at 31 December *(in HK$)*	**30.30**	41.35	(26.7)
Market capitalisation at 31 December *(in HK$ million)*	**188,381**	256,455	(26.5)
Hong Kong Transport Operations			
Total passenger boardings *(in million)*			
Domestic Service	**1,586.7**	1,334.6	18.9
Cross-boundary Service	**71.5**	0.4	n/m
High Speed Rail	**20.1**~	–	n/m
Airport Express	**10.8**	3.1	249.6
Light Rail and Bus	**207.7**	180.0	15.4
Average number of passengers *(in thousand)*			
Domestic Service *(weekday)*	**4,669.8**	3,920.1	19.1
Cross-boundary Service *(daily)*	**195.9**	1.2	n/m
High Speed Rail *(daily)*	**57.3**~	–	n/m
Airport Express *(daily)*	**29.7**	8.5	249.6
Light Rail and Bus *(weekday)*	**601.8**	515.7	16.7
Average fare *(in HK$)*			
Domestic Service	**8.44**	8.06	4.7
Cross-boundary Service	**30.85**	9.55	223.2
High Speed Rail	**81.45**	–	n/m
Airport Express	**61.19**	41.27	48.3
Light Rail and Bus	**3.17**	3.12	1.6
Proportion of franchised public transport boardings *(in %)*	**50.1**	48.3	1.8% pts.

Notes

4 *EBITDA margin represents total EBITDA (excluding Hong Kong property development profit from share of surplus, income and interest in unsold properties) as a percentage of total revenue.*

5 *EBIT margin represents total EBIT (excluding Hong Kong property development profit from share of surplus, income and interest in unsold properties, and share of profit of associates and joint ventures) as a percentage of total revenue.*

6 *Net debt-to-equity ratio represents loans and other obligations, short-term loans, obligations under service concession and loans from holders of non-controlling interests net of cash, bank balances and deposits in the consolidated statement of financial position as a percentage of total equity.*

7 *Interest cover represents operating profit before fair value measurement of investment properties, depreciation, amortisation, provisions for onerous contracts and impairment loss, variable annual payment and share of profit of associates and joint ventures divided by interest and finance charges before capitalisation, and utilisation of government subsidy for Shenzhen Metro Line 4 operation.*

δ *Excluding the relevant revenue and expenses of Mainland China and international subsidiaries of HK$25,955 million and HK$24,896 million (2022: HK$26,189 million and HK$24,865 million) respectively.*

φ *Excluding the relevant revenue, expenses, depreciation and amortisation, and provisions for onerous contracts and impairment loss of Mainland China and international subsidiaries of HK$25,955 million, HK$24,896 million, HK$548 million, and HK$1,022 million (2022: HK$26,189 million, HK$24,865 million, HK$303 million, and HK$962 million) respectively.*

^ *Excluding special loss provisions, being provisions for onerous contracts made for Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023 and impairment loss made for Shenzhen Metro Line 4 of HK$962 million in 2022, the EBIT margin would have been 12.0% and 3.8% in 2023 and 2022 respectively.*

~ *High Speed Rail service resumed on 15 January 2023. The number of passengers only counts the days from 15 January 2023 to 31 December 2023.*

OUR NETWORK

LEGEND

- Station
- Interchange Station
- Proposed Station
- Proposed Interchange Station
- Shenzhen Metro Network
- * Racing days only

EXISTING NETWORK

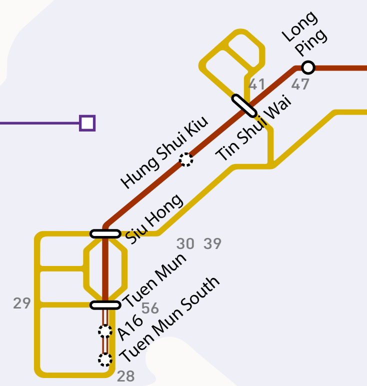
- Airport Express
- Disneyland Resort Line
- East Rail Line
- High Speed Rail
- Island Line
- Kwun Tong Line
- Light Rail
- South Island Line
- Tseung Kwan O Line
- Tsuen Wan Line
- Tuen Ma Line
- Tung Chung Line

PROJECTS IN PROGRESS

- Tuen Mun South Extension
- Kwu Tung Station
- Tung Chung Line Extension: Tung Chung East and Tung Chung West stations
- Airport Railway Extended Overrun Tunnel
- Oyster Bay Station

POTENTIAL FUTURE EXTENSIONS

- Northern Link
- Northern Link Spur Line
- South Island Line (West)
- Hung Shui Kiu Station
- Pak Shek Kok Station



PROPERTIES OWNED / DEVELOPED / MANAGED BY THE CORPORATION

01 Telford Gardens / Telford Plaza I and II
02 World-wide House
03 Admiralty Centre
04 Argyle Centre
05 Luk Yeung Sun Chuen / Luk Yeung Galleria
06 New Kwai Fong Gardens
07 Sun Kwai Hing Gardens
08 Fairmont House
09 Kornhill / Kornhill Gardens
10 Fortress Metro Tower
11 Hongway Garden / Infinitus Plaza
12 Perfect Mount Gardens
13 New Jade Garden
14 Southorn Garden
15 Heng Fa Chuen / Heng Fa Villa / Paradise Mall
16 Park Towers
17 Felicity Garden
18 Tierra Verde / Maritime Square 1 / Maritime Square 2
19 Tung Chung Crescent / Citygate / Novotel Citygate / Seaview Crescent / Coastal Skyline / Caribbean Coast
20 Central Park / Island Harbourview / Park Avenue / Harbour Green / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two
21 The Waterfront / Sorrento / The Harbourside / The Arch / Elements / The Cullinan / The Harbourview Place / W Hong Kong / International Commerce Centre / The Ritz-Carlton, Hong Kong
22 One International Finance Centre / Two International Finance Centre / IFC Mall / Four Seasons Hotel / Four Seasons Place
23 Central Heights / The Grandiose / The Wings / PopCorn 1 / PopCorn 2 / Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites
24 Residence Oasis / The Lane
25 No.8 Clear Water Bay Road / Choi Hung Park & Ride
26 Metro Town
27 Royal Ascot / Plaza Ascot
28 Ocean Walk
29 Sun Tuen Mun Centre / Sun Tuen Mun Shopping Centre
30 Hanford Garden / Hanford Plaza
31 Citylink Plaza
32 MTR Hung Hom Building / Hung Hom Station Carpark
33 Trackside Villas
34 The Capitol / Le Prestige / Hemera / Wings at Sea / MALIBU / LP6 / MONTARA / SEA TO SKY / MARINI / GRAND MONTARA / GRAND MARINI / OCEAN MARINI / LP10 / The LOHAS
35 The Palazzo
36 Lake Silver
37 Festival City
38 The Riverpark
39 Century Gateway
40 THE PAVILIA FARM I / THE PAVILIA FARM II / The Wai
42 The Austin / Grand Austin
43 SOUTHLAND / La Marina / THE SOUTHSIDE
45 Ocean Pride / Ocean Supreme / PARC CITY / THE PAVILIA BAY / City Point
46 Cullinan West
47 The Spectra / Sol City
48 The YOHO Hub

PROPERTY DEVELOPMENTS UNDER CONSTRUCTION / PLANNING

34 LOHAS Park Packages
40 Tai Wai Station Packages
41 Tin Wing Stop
43 THE SOUTHSIDE Packages
44 Ho Man Tin Station Packages
51 Yau Tong Ventilation Building
52 Tung Chung Traction Substation
53 Pak Shing Kok Ventilation Building
54 Oyster Bay Packages
55 Tung Chung East Station Packages
56 A16 Station Packages
57 Kwu Tung Station Packages

WEST RAIL PROPERTY DEVELOPMENTS (AS AGENT FOR THE RELEVANT SUBSIDIARIES OF KCRC)

39 Century Gateway
45 Ocean Pride / Ocean Supreme / PARC CITY / THE PAVILIA BAY / City Point
46 Cullinan West
47 The Spectra / Sol City
48 The YOHO Hub
49 Kam Sheung Road Station Packages
50 Pat Heung Maintenance Centre

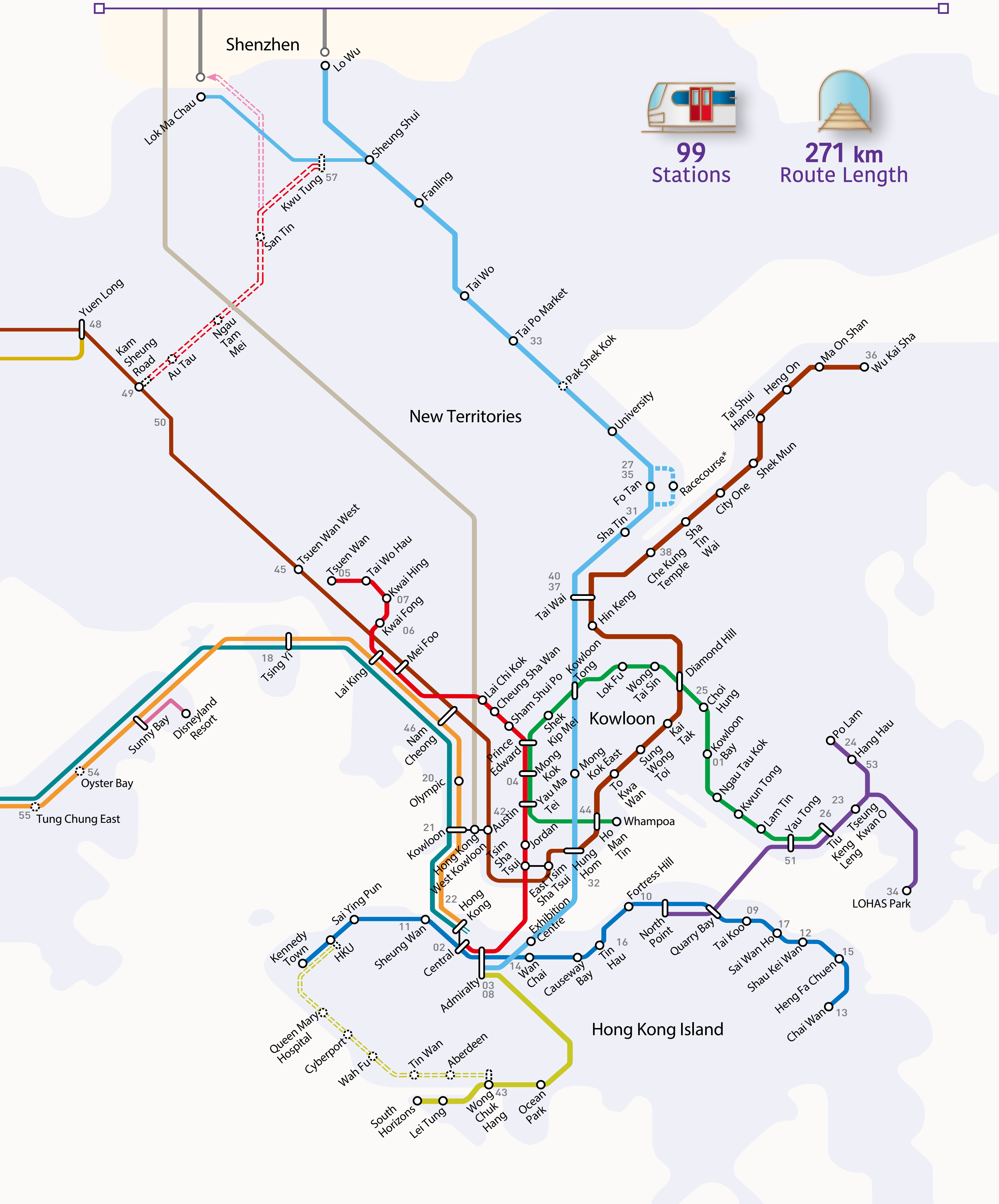
MAINLAND CHINA AND INTERNATIONAL BUSINESSES

MAINLAND CHINA AND MACAO

AUSTRALIA

EUROPE

HONG KONG OPERATING NETWORK WITH FUTURE EXTENSIONS



Note: Intercity passenger services are currently suspended until further notice.

CHAIRMAN'S LETTER

Dear Shareholders and other Stakeholders,

Throughout MTR's history, the Company has fulfilled its purpose to Keep Cities Moving, in favourable and challenging circumstances alike. The pandemic era certainly represents one of our most difficult periods. From the initial outbreak of COVID-19 in January 2020 to the last days of restrictions in early 2023, MTR worked tirelessly around the clock to continue delivering passengers safely, efficiently and comfortably to their destinations while doing its best to safeguard the health of the general public and staff. A look back on Hong Kong last year shows a city now well into recovery. Mask mandates, social distancing requirements, quarantines and travel restrictions are things of the past. Boundaries and borders are open once again, and routines are returning to normal.

In a way, MTR's businesses are a microcosm of Hong Kong and its prevailing socioeconomic trends. Our results in 2023 show higher Domestic and Cross-boundary patronage and more traffic at malls and station shops, which in turn indicate an improving economy, healthier consumer sentiment and rejuvenated tourism – all spurred on by unfettered travel. Meanwhile, we worked diligently behind the scenes to support the city's on-going recovery and sustainable growth. During the year, we broke ground on a number of important railway projects and continued to develop the detailed design and planning for many more, all of which are part of strategic long-term plans to build even faster, more

convenient links across Hong Kong and strengthen economic ties with our Greater Bay Area and Mainland Chinese neighbours.

Over the years, we have invested significant resources to lay the foundations for a future-driven organisation guided by environmental, social and governance ("ESG") considerations in every facet of its planning and operations. As we venture cautiously but confidently into 2024, we are seeking to capitalise on all this hard work and bring even greater value to the Company, its shareholders and the communities it serves.

BUSINESS PERFORMANCE AND GROWTH

MTR's patronage increased in 2023 following the resumption of Cross-boundary Service and HSR, resulting in higher fare revenue. The reopening of cross-boundary stations also enabled the return of the Company's Duty Free business, which contributed rental revenue for the first time in three years. HSR patronage exceeded the pre-pandemic levels of 2019 with an increased number of direct destinations, although Cross-boundary Service patronage remained below pre-pandemic levels. Our world-class rail service exceeded 99.9% in both train service delivery and passenger journeys on-time for our heavy rail network during the year.

The Fare Adjustment Mechanism review that we carried out with Government concluded in the first half of 2023. We believe it has resulted in a satisfactory balance between keeping fares affordable and achieving the financial sustainability MTR needs to maintain and upgrade Hong Kong's railways while also embarking upon important new projects to enhance connectivity across the city.

Of particular note was our staff's exceptional work during the record-breaking rainfall and flash floods that inundated Wong Tai Sin Station during the late hours of 7 September. MTR immediately suspended service for affected stations, and full-line operations began again at the start of regular traffic hours on 9 September. Our staff's immediate and comprehensive response to this emergency situation offers a clear example of the immense effort MTR makes to ensure the safety of its passengers and employees and Keep Hong Kong Moving.

In our property business, we proudly welcomed the opening of two new shopping malls in 2023. The Wai, located in Tai Wai, had its soft opening in July, while THE SOUTHSIDE, located in Wong Chuk Hang, began the first phase of its soft opening in December. When fully opened, these two new malls will add approximately 107,620 square metres to our total attributable gross floor area. They will also offer quality shopping, dining, entertainment and services to the community. We also continued to make progress on 14 residential property developments, which together will provide about 14,000 units to Hong Kong's housing market.

With the service commencement of the East Rail Line cross-harbour extension in 2022, our attention has now turned to the next major phase of Hong Kong's railway development. In 2023, we signed Project Agreements with Government for the Tung Chung Line Extension, Tuen Mun South Extension and Kwu Tung Station on the East Rail Line, all of which are important initiatives under Railway Development Strategy 2014. We look forward to taking these and other projects forward in the coming years as we continue to "Go Beyond Boundaries" in our efforts to contribute to Hong Kong's sustainable economic development.

In our Mainland China and international businesses, we were pleased that the remaining section of Beijing Metro Line 16 and the Northern Section of Beijing Metro Line 17 opened for passenger service in December, and that our contract for the South Western Railway in the UK as well as the franchise for the Melbourne metropolitan rail network in Australia were extended to May 2025 and mid-2026, respectively. In Sweden, we made the necessary decisions to enter into agreements for early termination of our concession agreements for both Stockholms pendeltåg and Mälartåg following an extended period of driver shortages and maintenance issues. Our bid for the new Stockholm Metro service contract was unsuccessful. In February 2024, we entered into an agreement to divest of MTRX. As always, we continue to seek opportunities in Mainland China and overseas to expand our business, diversify our revenue streams and grow the MTR brand in high-potential markets around the world.

FINANCIAL PERFORMANCE

The gradual resumptions of Cross-boundary Service and HSR over the first two months of 2023 led to higher patronage and retail traffic while also enabling the return of MTR's Duty Free business. As a result, the Company saw higher fare and rental revenue in 2023. Profit from our recurrent businesses increased to HK$5,303 million before the HK$1,022 million provisions made in respect of Stockholms pendeltåg and Mälartåg. Together with property development profit of HK$2,083 million, profit from our underlying business was HK$6,364 million, 40.2% lower than in 2022. Including the gain arising from the fair value measurement of investment properties, net profit attributable to shareholders of the Company in 2023 was HK$7,784 million, equating to earnings per share of HK$1.26. The Board has proposed a final ordinary dividend of HK$0.89 per share, which together with the interim dividend of HK$0.42 per share will bring the full-year dividend to HK$1.31 per share (2022: HK$1.31 per share).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In a world where climate change, social equality and sustainability concerns are at the forefront of global consciousness, ESG has become an essential part of companies' strategic planning and day-to-day operations. MTR's Corporate Strategy sets out a comprehensive, clearly defined ESG framework to help guide its actions according to three environmental and social objectives – reducing Greenhouse Gas Emissions, promoting Social Inclusion, and fostering Advancement & Opportunities – as well as robust governance systems and practices to ensure that the Company conducts itself in an ethical and transparent manner at all times. For the year under review, MTR set 44 ESG-related key performance indicators ("KPIs") – up from 35 in 2022 – to help us track the effectiveness of our initiatives in 10 key objective areas. As at the end of 2023, most of the KPIs had either been achieved or were on track to be achieved.

Reducing Greenhouse Gas Emissions

Although MTR's rail transport services are environmentally friendly by nature, the Company still understands the importance of minimising its carbon footprint wherever possible and helping lead the fight against climate change. In 2023, we were pleased to announce that the Science Based Targets initiative ("SBTi") approved our targets for reducing around half of MTR's GHG emissions in its Hong Kong railway and investment property businesses by 2030, using 2019 as the base year for comparison. Pursuing these targets will bring us closer to our long-term target of achieving carbon neutrality by 2050.

Technology and innovation play vital roles at MTR, and this extends to the Company's on-going efforts to achieve green, low-carbon designs throughout its railway network. In 2023, Hin Keng Station received an "Excellent" rating under the Building Research Establishment Environmental Assessment Method (BREEAM) In-Use certification programme, making it the first railway station in the world to receive this certification. Seven upcoming stations also received "BEAM Plus" Provisional Gold or higher accreditation. Our efforts to support the development of renewable energy in Hong Kong included the installation of 2,100 flexible solar photovoltaic panels at Pat Heung Depot, the largest such system in a single building in Hong Kong. We are currently implementing a pilot project for a hydrogen-powered light rail vehicle, and we are also excited to be putting our first electric bus into passenger service in mid-2024. Our Legacy Train Revitalisation Programme continued to provide us with an innovative and inspirational alternative to disposing of decommissioned railway assets by providing a channel whereby we donate train cars and components to schools, elderly centres, government departments and NGOs for repurposing. We also arranged approximately HK$1.3 billion in sustainable finance under our Sustainable Finance Framework to support the Company's sustainable development through various projects.

Promoting Social Inclusion

One of MTR's most critical missions is ensuring that its services are accessible to people from all walks of life. In 2023, we continued to promote "Universal Basic Mobility" by upgrading our "MTR • Care" mobile app with enhanced functions. Visits and sharing sessions with different community groups helped boost our understanding of the mobility needs of these communities and how we can better serve them. In our focus area of Diversity and Inclusion, we were very proud to receive the "Inclusive Employer Badge" for participating in the CareER Disability Inclusion Index (DII) and hiring people with disabilities in Hong Kong. We also continued to sponsor and organise numerous programmes and events promoting disability inclusion, ethnic diversity and gender equity. These included True Colors Symphony's "Everyday Heroes All Around" inclusive concert and the "Beats Go Green" Multicultural Green Music Programme supported by The Zubin Foundation.

Our long-running "More Time Reaching Community" staff volunteering scheme had another successful year, attracting a headcount of 4,539 participating volunteers who took part in 270 community activities supporting more than 69,000 beneficiaries. In March and April 2023, we hosted "MTR Volunteering Month", a programme with four specially designed volunteering activities featuring MTR elements to encourage colleagues to participate in and support the Company's environmental and social objectives. Meanwhile, we continued our "Art in MTR" programme to showcase exhibitions and performances throughout the MTR network for the enjoyment of the travelling public. In particular, we were delighted to be able to relaunch the Hong Kong Station Living Art Stage, where we host arts and cultural performances for passengers every Friday as well as special performances to celebrate festive seasons, all at one of our busiest interchange stations.

Fostering Advancement & Opportunities

Of all the resources that help us Keep Cities Moving, our staff are the most important, and each year we invest significant efforts into developing careers and fostering a culture of continuous learning. Outside the Company, we are dedicated to providing opportunities for youth and the wider community to learn, grow and succeed. In October, we launched the revamped youth programme "'Train' for Life's Journeys 2.0" with over 2,000 secondary school students enrolled. This programme aims to empower the next generation with innovative mindsets and future skills including design thinking, entrepreneurship, financial literacy and AI capabilities. To provide underserved secondary school students with the skills and attributes they need in the business world, we also piloted a one-month programme with SEED Foundation that gave six students the opportunity to gain workplace experience in different departments.

Governance

MTR is committed to achieving the highest standards of corporate governance to ensure that the Company conducts its business in an ethical and transparent manner and safeguards the interests of its shareholders and stakeholders. We also strive to uphold strong principles of inclusion and diversity at all levels of the organisation, including its top leadership positions. As at the end of 2023, over a quarter of our Board of Directors were female.

ACKNOWLEDGEMENTS AND APPRECIATION

MTR's Board, members of the Executive Directorate, management and staff have all played invaluable roles in shepherding the Company through the pandemic and laying the groundwork for better years ahead. I would once again like to thank Dr Pamela Chan Wong Shui and Mr Johannes Zhou Yuan, who retired as Independent Non-executive Directors ("INEDs") of the Board on 24 May 2023, for their contributions to the Company. I would once again also like to welcome Ms Sandy Wong Hang-yee and Professor Anna Wong Wai-kwan, who were appointed as INEDs effective 24 May 2023. Also, as mentioned in our interim report, Miss Rosanna Law Shuk-pui ceased to hold the post of the Commissioner for Transport effective 15 August 2023 and therefore has ceased to be a Non-executive Director ("NED") of the Company. Taking her place is Ms Angela Lee Chung-yan, who assumed the role of the Commissioner for Transport on 28 August 2023 and also became an NED by virtue of this posting. I would once again like to thank Miss Law for her valuable counsel and welcome Ms Lee to the Board.

I was recently honoured to be reappointed as Chairman for a one-and-a-half-year term, extending to 31 December 2025. I look forward to continuing to work with the Board, management and all MTR colleagues to serve and build Hong Kong.

In 2024, we are celebrating the 45th anniversary of MTR. I believe I speak for everyone at the Company when I say we look forward to embarking on an exciting new journey of growth and prosperity together with Hong Kong and all of the communities we serve in Mainland China and around the world. As a caring, conscientious member of society, we pledge to do our part as always to deliver world-class service and Keep Cities Moving.

Dr Rex Auyeung Pak-kuen
Chairman
Hong Kong, 7 March 2024

CEO'S REVIEW AND OUTLOOK

Dear Shareholders and other Stakeholders,

With 2023 now behind us, I believe we can look back on the year with a sense of accomplishment, especially given the multitude of challenges everyone has worked so hard to overcome during and after the pandemic era. The financial performance of MTR Corporation Limited's recurrent businesses was satisfactory in the context of a transitional year, and the Company was also able to attain world-class service delivery even as patronage continued to climb. We also kept improving our organisation and its operations across the board by closely following our Corporate Strategy to drive sustainable growth through healthy, diversified revenue streams; strongly emphasising innovation and technology; and remaining firmly committed to world-class environmental, social and governance ("ESG") standards. Now, looking towards the future, there is a feeling of guarded optimism as we pick up speed along a track towards recovery, prosperity and a new normalcy.

BUSINESS PERFORMANCE AND GROWTH

Revenue grew in 2023, and a major contributing factor was the resumption of our Cross-boundary and High Speed Rail ("HSR") services, both of which gradually returned to service starting from January. This positively impacted not just fare revenue, but also rental revenue, as the end of COVID-related restrictions enabled us to restart our Duty Free business, which had been dormant since the initial outbreak. Patronage for our HSR service in 2023 exceeded that of 2019, spurred in part by higher frequencies as well as expanded coverage that now includes 73 direct destinations in Mainland China. Patronage of our Cross-boundary Service has yet to return to pre-pandemic levels, although we are still encouraged by the service's on-going recovery. Meanwhile, Domestic Service patronage for the year was close to returning to pre-pandemic levels. We were also pleased to achieve more than 99.9% train service delivery and passenger journeys on-time for our heavy rail network in 2023.

In March 2023, MTR and Government concluded the review of the Fare Adjustment Mechanism ("FAM") and determined that the direct-drive formula shall be maintained for the five-year cycle (from 2023/2024 to 2027/2028). This will help guarantee a stable source of recurrent revenue for the maintenance, upgrading and renewal of the Company's railway assets while also ensuring the financial sustainability needed to pursue important new projects for Hong Kong. To help ensure the reasonableness of fare increases, we have introduced initiatives such as referring the "Productivity Factor" in the formula to the post-tax profit from property developments in Hong Kong and enhancing the service performance rebate with a new "Thank You Day" arrangement featuring a half-price fare discount.

To ensure that MTR delivers on its promise to Keep Cities Moving, the Company regularly upgrades and renews its railway assets for safety, efficiency, convenience and comfort. In 2023, we continued to "Go Smart Go Beyond" by launching a HK$1.3 billion programme to upgrade the Automatic Fare Collection system and add more e-payment options to meet passengers' needs.

In 2023, we proudly welcomed two new shopping malls to our retail portfolio: The Wai, located in Tai Wai, and THE SOUTHSIDE, situated in Wong Chuk Hang. THE SOUTHSIDE began a phased opening in December 2023. Once they are both fully open, these two new malls will cover approximately 107,620 square metres, expanding our total attributable gross floor area ("GFA") by around 30% while offering quality shopping, dining, entertainment and services to the community. We are also currently making progress on 14 residential property development projects that will provide approximately 14,000 quality units to the local housing market in the coming years.

We were pleased to sign project agreements with Government in 2023 for the Tung Chung Line Extension, Tuen Mun South Extension and Kwu Tung Station on the East Rail Line, all of which are important components of Government's Railway Development Strategy 2014 ("RDS 2014"). These new projects are designed to facilitate Hong Kong's sustainable, long-term economic development while helping build thriving and prosperous communities along the city's rail lines. As always, MTR is excited at the opportunity to "Go Beyond Boundaries" in support of Government's strategy to create the city's infrastructure network of the future.

In December 2023, the Transport and Logistics Bureau announced the "Hong Kong Major Transport Infrastructure Development Blueprint" ("the Blueprint"), which maps the way forward for Hong Kong's transport infrastructure through projects that support sustainable development and reinforce the city's strategic position. The Blueprint recommends three enhanced strategic railway projects as well as two new railway projects in the Northern Metropolis, the "Northern Link Eastern

Extension" and "Northeast New Territories Line". MTR welcomes this announcement and pledges its full support for the further development of Hong Kong's railway capacity.

In 2023, we also continued to explore opportunities in Mainland China and overseas. The remaining section of Beijing Metro Line 16 and the Northern Section of Beijing Metro Line 17 commenced passenger service in December 2023, and our contract for the South Western Railway in the UK and the franchise for the Melbourne metropolitan rail network in Australia were extended to May 2025 and mid-2026, respectively. In Sweden, due to on-going driver shortages and maintenance issues that inevitably impacted financial performance, we entered into mutual agreements for the early termination of our concessions for Stockholms pendeltåg and Mälartåg, effective 2 March 2024 and 16 June 2024, respectively. Loss provisions were made in respect of these two businesses in 2023. Our bid for the new Stockholm Metro service contract was unsuccessful. In February 2024, we entered into an agreement to divest of MTRX.

We regard ESG as an important aspect of our business and activities, and we strive to take a leadership role in our core focus areas of Reducing Greenhouse Gas ("GHG") Emissions, promoting Social Inclusion and fostering Advancement & Opportunities. In April 2023, our carbon reduction targets covering MTR's railway and investment property businesses in Hong Kong were approved by the international Science Based Targets initiative. According to these targets, we shall considerably reduce the GHG emissions from our rail transport operations and investment properties by 2030 compared to the base year of 2019. The approval also marks a significant step towards attaining our long-term goal of achieving carbon neutrality by 2050. In 2023, we also supported various events and launched initiatives promoting diversity and inclusion, focusing on disability inclusion, ethnic diversity, gender equity, and intergenerational relationships in society and the workplace. We also strove to further equal opportunities through volunteer projects, arts appreciation programmes, and long-term partnerships with NGOs and social enterprises through our ESG Project Allies Programme. In terms of advancement and opportunities, we are committed to upskilling our employees, enhancing the future skills and innovative capacity of our next generations, and fostering the sustainable growth of local enterprises in the cities where we operate.

FINANCIAL PERFORMANCE

MTR's financial performance was supported by the resumption of its Cross-boundary and HSR services and Duty Free business. Profit attributable to equity shareholders from recurrent businesses increased to HK$5,303 million before the HK$1,022 million provisions made in respect of Stockholms pendeltåg and Mälartåg. Property development profit decreased to HK$2,083 million, resulting in a decrease of 40.2% to HK$6,364 million in profit attributable to shareholders from underlying businesses. Including the gain arising from the fair value measurement of investment properties (a non-cash accounting item), net profit attributable to the shareholders of the Company decreased by 20.8% to HK$7,784 million, representing earnings per share of HK$1.26.

Your Board has proposed a final ordinary dividend of HK$0.89 per share, which together with the interim dividend of HK$0.42 per share brings the full-year dividend to HK$1.31 per share, same as that of 2022.

OUTLOOK

The past year was about recovery. Moving forward – the theme of this report – we intend to capitalise on the momentum gained in 2023 to help propel MTR and Hong Kong towards a new era of growth. We have broken ground on important new projects that will enhance connectivity and boost prosperity for communities across the city. Our Cross-boundary, HSR and Duty Free businesses are back in operation and already making solid contributions to our recurrent revenue. There are also numerous strategic railway and property development projects on the horizon, and we will strive tirelessly to help Government achieve its goals for infrastructure network development and housing supply.

In the short term, we expect to continue dealing with a volatile global economic environment fraught with issues such as geopolitical dynamics, inflationary pressures and high interest rates. To counter these challenges, we will keep practising prudent cost management while seeking out smart technologies and innovations that can help make our railway operations and maintenance even more efficient. We will also continue to expand our railway network in Hong Kong and seek commercially viable opportunities in Mainland China and overseas to drive business growth. Meanwhile, Domestic Service patronage has gradually recovered compared to pre-pandemic levels, and patronage of our Cross-boundary Service is ramping up following three years of inactivity. Of course, further recovery will depend on the health of the Hong Kong and Mainland Chinese economies. Our station retail and property rental businesses continue to be impacted by negative rental reversions, a lingering effect of the pandemic era. Advertising revenue remains dependent on economic recovery as well as consumer sentiment and spending.

Given the uncertainties in the global economy and interest rate trends, as well as the Hong Kong Government's cancellation of Special Stamp Duty, Buyer's Stamp Duty and New Residential Stamp Duty for residential properties in February 2024, we are closely monitoring market conditions and reviewing our programme for the tendering of property development projects. In the next 12 months or so, we expect to re-tender Tung Chung East Station Package 1 while the Oyster Bay project is undergoing advance works, and we continue to anticipate intake of the first batch of residents in 2030. Our applications for presale consent for LOHAS Park Package 13 and the Yau Tong Ventilation Building are in progress. Subject to the progress of construction and sales, we expect to book property development profit from La Montagne (THE SOUTHSIDE Package 4), THE SOUTHSIDE Package 5, Ho Man Tin Station Package 1 and IN ONE (Ho Man Tin Station Package 2), and to continue booking profit from Villa Garda (LOHAS Park Package 11) in 2024.

We look forward to working together with Government on the RDS 2014 initiative – for projects both existing and new – as well as the Blueprint as we continue to build the networks of the future.

In 2023, we were delighted to celebrate the expansion of our operating network in Mainland China by opening new sections of Beijing Metro Line 16 and Beijing Metro Line 17. As always, we will continue to seek opportunities in Mainland China and overseas to support this growth pillar and export MTR's brand and business to potentially lucrative markets outside of Hong Kong.

I would like to take the opportunity to thank Mr Herbert L. W. Hui, who retired from the position of Finance Director immediately after 31 December 2023, for his valuable contributions to the Company. I would also like to welcome Mr Michael Fitzgerald, who succeeded Mr Hui effective 1 January 2024.

The pandemic era was a long and difficult time for our communities around the world. Through it all, our dedicated staff members worked professionally and tirelessly to Keep Cities Moving for the millions upon millions of people who depend on MTR every day, and their heroic efforts have been a great source of inspiration for me. Now, as MTR celebrates its 45th year of growing and connecting communities, I believe the Company and Hong Kong are well on track towards recovery and growth, and I look forward to continuing this journey together with important stakeholders like you over the coming months and years.

Dr Jacob Kam Chak-pui
Chief Executive Officer
Hong Kong, 7 March 2024

THE YEAR IN REVIEW

BUSINESS PERFORMANCE

Hong Kong Businesses

MTR's Hong Kong businesses feature two key components: "Hong Kong Transport Services", comprising rail and bus transport services as well as commercial activities at stations; and property-related activities including the development, rental and management of the Company's railway-linked properties. MTR operates largely under a rail-plus-property business model that enables the Company to deliver shareholder value while contributing to the growth and prosperity of the local communities it serves.

Hong Kong Transport Services – Transport Operations

HK$ million	Year ended 31 December 2023	2022	Inc./(Dec.) %
Hong Kong Transport Operations			
Total Revenue	**20,131**	13,404	50.2
Operating Profit before Depreciation, Amortisation and Variable Annual Payment ("EBITDA")	**5,954**	691	761.6
(Loss)/Profit before Interest, Finance Charges and Taxation and after Variable Annual Payment ("EBIT")	**(1,111)**	(4,733)	76.5
EBITDA Margin (in %)	**29.6%**	5.2%	24.4% pts.
EBIT Margin (in %)	**(5.5)%**	(35.3)%	29.8% pts.

In 2023, total revenue from Hong Kong transport operations increased by 50.2% to HK$20,131 million compared to the HK$13,404 million recorded in 2022, leading to a 76.5% decrease in loss before interest, finance charges and taxation and after variable annual payment to HK$1,111 million. These results were primarily due to the resumptions of Cross-boundary Service and High Speed Rail ("HSR") as well as recovery in our Domestic Service patronage.

Patronage and Revenue

	Patronage In million		Revenue HK$ million	
	2023	Inc./(Dec.) %	**2023**	Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service	**1,586.7**	18.9	**13,995**	24.5
Cross-boundary Service	**71.5**	n/m	**2,206**	n/m
HSR	**20.1**	n/m	**2,503**	78.7
Airport Express	**10.8**	249.6	**664**	418.8
Light Rail and Bus	**207.7**	15.4	**658**	17.3
	1,896.8	24.9	**20,026**	50.1
Others			**105**	61.5
Total			**20,131**	50.2

n/m: not meaningful

Total patronage for all MTR rail and bus services increased by 24.9% to 1,896.8 million compared to the 1,518.1 million recorded in 2022. This followed the lifting of anti-pandemic restrictions and phased resumptions of rail services to Mainland China. Average weekday patronage increased by 24.3% to 5.52 million.

Market Share

MTR's overall share of the franchised public transport market in Hong Kong increased to 50.1% in 2023 compared with 48.3% in the previous year. This was due to additional patronage from the opening of the East Rail Line cross-harbour extension in May 2022 as well as patronage recovery for Cross-boundary Service, HSR and Airport Express – in which we have a relatively higher market share than other franchised public transport operators – following the lifting of anti-pandemic measures. The Company's share of cross-harbour traffic was 72.3% compared with 70.1% in 2022. Our share of the cross-boundary business, including Cross-boundary Service and HSR, was 53.0% compared to 0% in 2022 (due to service closures). Our share of traffic to and from the airport was 19.9% compared to 18.2% in 2022.

Fare Adjustment, Promotions and Concessions

In March 2023, MTR and Government concluded the FAM review, a regular exercise that takes place every five years. It was agreed that the current direct-drive FAM formula will be retained for the five-year cycle from 2023/2024 to 2027/2028 in order to provide a stable source of recurrent revenue for the maintenance, upgrading and renewal of railway assets. In addition, the formula's productivity factor has been enhanced to take account of the Company's post-tax property development profit in Hong Kong. The Overall Fare Adjustment Rate for 2023/2024 was +2.3% after a special reduction of 1.2 percentage points as well as a special deferral of 1.65 percentage points and a voluntary deferral of 0.2 percentage point – both deferrals to 2024/2025 – to support the post-pandemic economic recovery.

During the year, we continued to support Government's efforts to boost the economy by giving away free rides and holding shopping promotions at MTR Malls and station outlets. We also continued to offer on-going fare concessions to customers, including general commuters, the elderly, children, eligible students and persons with disabilities, which amounted to approximately HK$2.9 billion in 2023.

Service Performance

MTR is committed to meeting and exceeding world-class reliability and service standards. In 2023, we exceeded 99.9% in passenger journeys on-time and train service delivery for our heavy rail network.

In 2023, we ran more than 1.79 million train trips on our heavy rail network and more than 0.92 million trips on our light rail network. There were seven delays (defined as those lasting 31 minutes or more and attributable to factors within the Company's control) on the heavy rail network and three such delays on the light rail network.

Following two incidents in late 2022, an Expert Panel was appointed to undertake a comprehensive review of MTR's railway asset management and maintenance regime. The panel completed this review in June 2023, and the Company is now in the midst of implementing its recommendations, which include investing in railway asset renewal and maintenance and accelerating the application of innovation and technology to maintain railway assets at an even higher standard.

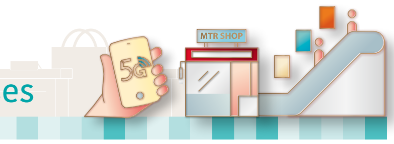
Enhancing the Customer Service Experience

We are always exploring the latest innovations and making improvements to provide better, smarter and more comfortable rail transit services for passengers. With the addition of new HSR routes, passengers were able to reach 73 Mainland destinations directly from Hong Kong as at end-2023. In March 2023, the Company launched a HK$1.3 billion programme to upgrade 2,400 of its Automatic Fare Collection System ticket gates, one feature of which will be more e-payment options for greater customer convenience. Throughout the year, we continued to put new SACEM Q-trains into service along the Kwun Tong Line as part of our programme to phase out existing trains and replace them with newer, more comfortable models; as at 31 December, 13 of these new trains had been put into service. Our programme to replace our existing SACEM signalling system with a communication-based train control signalling system ("CBTC System") along the Tsuen Wan, Island, Kwun Tong and Tseung Kwan O lines is on-going. The new system, which will allow us to boost our trains' overall carrying capacity, is expected to be commissioned on the Tsuen Wan Line between 2025 and 2026, followed by implementation along the other lines. We are also in the midst of another chiller replacement programme to replace older units with newer, more efficient models for greater passenger comfort and better energy efficiency. Between the programme's start date of 2022 and 2025, we anticipate the replacement of an additional 31 units. Elsewhere, our programme to install automatic platform gates at 35 platforms in 13 stations along the section between Lo Wu/Lok Ma Chau and Mong Kok East on the East Rail Line commenced in May 2023, with gates installed in Racecourse and Lok Ma Chau stations during the year. This project is expected to be completed by 2025.

Smart Mobility, Operations and Maintenance

"Go Smart Go Beyond" represents MTR's quest to adopt the latest technologies for improved operations, maintenance, customer service and sustainability. Two excellent examples of our commitment to innovation in 2023 include the "Train Performance and Health Monitoring System", an initiative to optimise our maintenance regime while increasing train availability and reliability by monitoring fleet health and performance; and "Smart Train Planning", a cloud-based AI platform co-developed with Alibaba that enhances train mileage regulation and planning. We also installed the AI-powered SACEM Remote Monitoring and Alarm Detection system in trains and depots to achieve real-time analysis of our operations and prevent potential service issues. As one of the first enterprises in Hong Kong to experience AI with the Microsoft 365 Copilot system, we will utilise AI-enabled solutions to optimise our operations, enhance customer service and streamline internal workflows. Also, the implementation of video analytics at East Rail Line station platforms has strengthened our ability to prevent accidents proactively by identifying abnormal passenger behaviour.

Hong Kong Transport Services – Station Commercial Businesses



HK$ million	Year ended 31 December 2023	2022	Inc./(Dec.) %
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	**3,429**	1,544	122.1
Advertising Revenue	**981**	836	17.3
Telecommunication Income	**603**	616	(2.1)
Other Station Commercial Income	**104**	81	28.4
Total Revenue	**5,117**	3,077	66.3
EBITDA	**4,557**	2,555	78.4
EBIT	**3,792**	2,270	67.0
EBITDA Margin (in %)	**89.1%**	83.0%	6.1% pts.
EBIT Margin (in %)	**74.1%**	73.8%	0.3% pt.

In 2023, total revenue from all Hong Kong station commercial activities increased by 66.3% to HK$5,117 million. This was primarily from the resumption of our Duty Free business following the reopening of cross-boundary stations in early 2023.

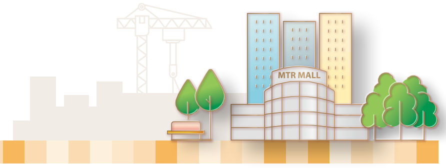
Station retail rental revenue increased by 122.1% to HK$3,429 million, which was primarily due to the return of our Duty Free business following years of pandemic-related closure. This increase in revenue was partially offset by negative rental reversions. Rental reversion and average occupancy rates for station kiosks were approximately -6.9% and 97.3%, respectively. During the year, we sought to drive traffic to station shops and spur consumer spending by launching numerous promotions via the MTR Mobile app, including the MTR Points loyalty scheme and Stamp Reward programme. We also introduced pop-up stores and regularly reviewed our tenant mix to ensure customer appeal.

As at 31 December 2023, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 31% will expire in 2024, 33% in 2025, 26% in 2026, and 10% in 2027 and beyond.

In terms of trade mix, food and beverage accounted for approximately 45% of the leased area of our station kiosks (excluding Duty Free shops) as at 31 December 2023, followed by cake shops at 13%, convenience stores at 12%, passenger services at 12% and others at 18%.

Advertising revenue increased by 17.3% to HK$981 million in 2023 due to general economic recovery and increased tourism from Mainland China following Hong Kong's full reopening, both of which drove higher advertising spending at cross-boundary stations. During the year, we continued to innovate our advertising offerings through digital technology and offer audience-targeting and online-to-offline options.

Telecommunications revenue was HK$603 million in 2023, a 2.1% year-on-year decrease. As at 31 December 2023, 5G services were available at 79 stations. In July, we awarded the tender for a new commercial system at 24 stations that will offer users more capacity and higher data speed. About 80% of the capacity at our Tseung Kwan O data service centre had been reserved as at 31 December 2023, and we continue to explore opportunities for additional data centres elsewhere.



Property Businesses

Property Rental and Management

	Year ended 31 December		
HK$ million	**2023**	2022	Inc./(Dec.) %
Hong Kong Property Rental and Management Businesses			
Revenue from Property Rental	**4,795**	4,525	6.0
Revenue from Property Management	**284**	254	11.8
Total Revenue	**5,079**	4,779	6.3
EBITDA	**4,016**	3,815	5.3
EBIT	**3,999**	3,800	5.2
EBITDA Margin (in %)	**79.1%**	79.8%	(0.7)% pt.
EBIT Margin (in %)	**78.7%**	79.5%	(0.8)% pt.

In 2023, revenue from property rental and management increased by 6.3% year on year to HK$5,079 million, which was mainly due to having lower amortisation of rental concessions charged to the statement of profit or loss, as well as additional contributions following the opening of our two new shopping malls, The Wai in July 2023 and THE SOUTHSIDE in December 2023. Revenue gains continued to be partially offset by negative rental reversions. MTR shopping malls recorded a rental reversion of -8.4%, and the average occupancy rate was 99%. The average occupancy rate for the Company's 18 floors in Two International Finance Centre was 96%.

July marked the soft opening of The Wai, our new, 60,620-square-metre shopping mall at Tai Wai Station that hosts approximately 150 retail tenants providing dining, entertainment and other services for the community. In December, we began the first phase of the soft opening of THE SOUTHSIDE shopping mall in Wong Chuk Hang. In this first phase, about 30 merchants, collectively occupying roughly 20% of the mall's total floor area, have commenced business. In 2023, a fair value measurement gain of HK$1,360 million was recognised from the initial booking of THE SOUTHSIDE shopping mall.

The Company worked diligently throughout the year to spur mall traffic and help tenants' businesses recover in the wake of the pandemic. Highlights included hosting the "Happy Music Festival" to support Government's "Happy Hong Kong" campaign; the "'Happy Together' Click & Grab Coupon" campaign, pursuant to which more than HK$20 million in shopping vouchers were given away; and an MTR Mobile "instant win" lucky draw promotion.

As at 31 December 2023, the lease expiry profile of our shopping malls by area occupied was such that approximately 30% will expire in 2024, 22% in 2025, 31% in 2026, and 17% in 2027 and beyond.

In terms of trade mix, food and beverage accounted for approximately 30% of the leased area of our shopping malls as at 31 December 2023, followed by services (21%), fashion, beauty and accessories (21%), leisure and entertainment (19%), and department stores and supermarkets (9%).

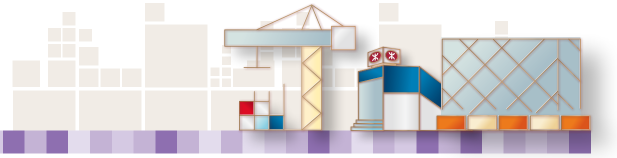
Property Development and Tendering

In 2023, Hong Kong property development profit (post-tax) was HK$2,035 million. This was mainly derived from initial profit recognition from Villa Garda (LOHAS Park Package 11) and residual profits from various completed projects.

Pre-sales and sale activities continued during the year for several property development projects. As at 31 December 2023, SOUTHLAND and La Marina (THE SOUTHSIDE Package 1 and Package 2) were 79% and 89% sold, respectively, while units of Villa Garda I, II and III (LOHAS Park Package 11) were 79%, 24% and 26% sold, respectively. Pre-sales activities launched for La Montagne (THE SOUTHSIDE Package 4) Phase 4A in July; the development was 12% sold as at 31 December 2023. Pre-sales activities also launched for IN ONE (Ho Man Tin Station Package 2) Phases IA, IB and IC in May, March and April, respectively, and these properties were 17%, 98% and 85% sold as at the end of the year. Pre-sales for YOHO WEST (Tin Wing Stop Phase 1) launched in November, with 78% of units sold as at 31 December 2023. We obtained pre-sale consents for LOHAS Park Package 12 (Phases 12A and 12B) in August 2023, Ho Man Tin Station Package 1 (Phases IIA and IIB) in November 2023, THE SOUTHSIDE Package 3 (Phases 3B and 3C) in December 2023 and LOHAS Park Package 12 (Phase 12C) in January 2024.

By November, we had received no tender submissions for Tung Chung East Station Package 1. We are closely monitoring market conditions and will review our programme for the tendering of property development projects as appropriate. We expect to re-tender Tung Chung East Station Package 1 in the next 12 months or so while the Oyster Bay project is undergoing advance works, and we continue to target for the first intake of residents in 2030.

Growing Our Hong Kong Businesses



Following the service commencement of the East Rail Line cross-harbour extension in May 2022, MTR is now supporting Government on the next phase in Hong Kong's railway infrastructure development. This includes projects under Railway Development Strategy 2014 ("RDS 2014") and the "Hong Kong Major Transport Infrastructure Development Blueprint" ("the Blueprint"). Together, these initiatives will enhance local connectivity, strengthen links with the Greater Bay Area, and create opportunities for the Company to build and enhance communities while delivering shareholder value.

Building Hong Kong's Future Railway Network

In 2023, MTR entered into agreements with Government on a number of important RDS 2014 projects.

Tung Chung Line Extension

In February, the Company signed the project agreement for the Tung Chung Line Extension, which will serve new towns in the Tung Chung East new reclamation area and Tung Chung West. A ground-breaking ceremony was held in May, making this the first RDS 2014 project to commence construction. Two major civil works contracts have also been awarded. We anticipate that construction for the Tung Chung Line Extension will be completed in 2029. The Company will also undertake the construction of the Airport Railway Extended Overrun Tunnel ("ARO"). Construction of the ARO is targeted to commence in 2025 and be completed in 2032.

Tuen Mun South Extension

In September, we signed the project agreement for the Tuen Mun South Extension, which will provide direct railway connectivity to the Tuen Mun South community and serve the transport needs of commuters living and working in the area. A kick-off event was held in October 2023, and construction is targeted for completion in 2030.

Kwu Tung Station on the East Rail Line

Also in September, the Company signed the project agreement for Kwu Tung Station on the East Rail Line, a new station to be located in the town centre of the future Kwu Tung North New Development Area. A ground-breaking ceremony was held in September, and construction is expected to be completed in 2027. Once commissioned, Kwu Tung Station will be the 100th rail station in the MTR network.

Oyster Bay Station

Meanwhile, construction on Oyster Bay Station commenced in December 2023. This project has a targeted completion date of 2030. Oyster Bay Station will be located in Siu Ho Wan between Sunny Bay and Tung Chung stations and cater to the future population growth of Oyster Bay.

Other New Railway Projects

In 2023, we also continued to progress other important RDS 2014 initiatives. The Northern Link Main Line railway scheme was gazetted under the Railways Ordinance in October, and we are now working on pre-construction statutory procedures. Construction for this project is scheduled to commence in 2025 for completion in 2034. In parallel, we are working with Government to bring forward the Northern Link Spur Line project to the detailed planning and design stage. We are currently in the detailed planning and design stage for Hung Shui Kiu Station, which will be located on the Tuen Ma Line between Tin Shui Wai and Siu Hong stations. It is important to note that the Company is still in various stages of discussion with Government and has yet to enter into project agreements for the Northern Link and Hung Shui Kiu Station projects. Government has announced its intention to proceed with MTR on these projects using the ownership approach. Different funding models, including the "Rail plus Property" development model, may be deployed to ensure commercial returns on the Company's investments. We also continue to closely monitor the progress of the South Island Line (West), which was featured in the Blueprint, and provide full support accordingly.

In his Policy Address 2023, the Chief Executive proposed further extension of Hong Kong's railway network as well as accelerated long-term land development. Among the many important initiatives cited is the enhanced "Three Railways" proposal, which includes the provision of three intermediate stations along the Central Rail Link at Northeast Tsuen Wan, Northeast Kwai Chung and the Tsuen King Circuit to enable transit to the Tsuen Wan Line; the Tseung Kwan O Line Southern Extension and Hong Kong – Shenzhen Western Rail Link linking Hung Shui Kiu with Qianhai in Shenzhen; and two new railway projects, the "Northern Link Eastern Extension" and "Northeast New Territories Line" connecting Heung Yuen Wai to Fanling Station on the East Rail Line. MTR welcomes these projects and will continue to fully support Government's strategy for the future development of Hong Kong. Meanwhile, we continue to conduct research on construction for Pak Shek Kok Station on the East Rail Line while closely monitoring the development of smart and green mass transit in areas such as East Kowloon, Kai Tak, Hung Shui Kiu and Ha Tsuen.

Expanding the Property Portfolio

Our two new malls, The Wai and THE SOUTHSIDE, offer exciting new shopping experiences for shoppers, while our 14 new residential property projects are expected to provide approximately 14,000 quality housing units to the market in the near to medium term. The Company also continues to explore areas for potential development along its existing and future lines, such as the Northern Link. Meanwhile, at the invitation of Government, we are studying ways to unleash the development potential of land around the proposed Pak Shek Kok Station. We are also carrying out a study to re-plan Hung Hom Station and its vicinity.

Mainland China and International Businesses

Our Mainland China and international businesses form one of our three strategic growth pillars, enabling us to generate geographically diversified revenue streams while exporting MTR's brand and expertise. In 2023, we served approximately 2.37 billion passenger journeys in Mainland China, Macao, Europe and Australia through our subsidiaries, associates and joint ventures.

	Mainland China and International Businesses								
	Mainland China and Macao Railway, Property Rental and Property Management Businesses			International Railway Businesses			Total		
Year ended 31 December HK$ million	**2023**	2022	Inc./(Dec.) %	**2023**	2022	Inc./(Dec.) %	**2023**	2022	Inc./(Dec.) %
Recurrent Businesses									
Subsidiaries									
Revenue	**1,974**	2,355	(16.2)	**23,981**	23,661	1.4	**25,955**	26,016	(0.2)
EBITDA	**286**	105	172.4	**786**	1,160	(32.2)	**1,072**	1,265	(15.3)
EBIT	**(42)**	42	n/m	**566**	920	(38.5)	**524**	962	(45.5)
EBITDA Margin (in %)	**14.5%**	4.5%	10.0% pts.	**3.3%**	4.9%	(1.6)% pts.	**4.1%**	4.9%	(0.8)% pt.
EBIT Margin (in %)	**(2.1)%**	1.8%	n/m	**2.4%**	3.9%	(1.5)% pts.	**2.0%**	3.7%	(1.7)% pts.
Recurrent Business (Loss)/Profit (Net of Non-controlling Interests)	**(101)**	**28**	**n/m**	**(33)**	**267**	**n/m**	**(134)**	**295**	**n/m**
Associates and Joint Ventures									
Share of Profit	**707**	**640**	**10.5**	**50**	**55**	**(9.1)**	**757**	**695**	**8.9**
Total Recurrent Business Profit (before Business Development Expenses and Special Loss Provisions*)	**606**	**668**	**(9.3)**	**17**	**322**	**(94.7)**	**623**	**990**	**(37.1)**
Profit/(Loss) Attributable to Shareholders of the Company for the Year									
– Arising from Recurrent Businesses (before Business Development Expenses and Special Loss Provisions*)							**623**	**990**	**(37.1)**
– Business Development Expenses							**(260)**	(255)	(2.0)
– Arising from Recurrent Businesses (after Business Development Expenses but before Special Loss Provisions*)							**363**	**735**	**(50.6)**
– Special Loss Provisions*							**(1,022)**	(962)	(6.2)
– Arising from Recurrent Businesses (after Business Development Expenses and Special Loss Provisions*)							**(659)**	**(227)**	**(190.3)**
– Arising from Mainland China Property Development							**48**	67	(28.4)
– Arising from Underlying Businesses							**(611)**	**(160)**	**(281.9)**

n/m: not meaningful

* *Special loss provisions represent provisions for onerous contracts made for Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023, and impairment loss made for Shenzhen Metro Line 4 of HK$962 million in 2022*

Excluding Mainland China property development, our recurrent business profit outside of Hong Kong from our subsidiaries, associates and joint ventures (after business development expenses but before special loss provisions) was HK$363 million in 2023 on an attributable basis. This represented a decrease of 50.6% compared with 2022.

In Mainland China and Macao, recurrent business loss from our railway, property rental and property management subsidiaries was HK$101 million in 2023. Results were mainly impacted by the continued losses with depletion of government subsidies at Shenzhen Metro Line 4 ("SZL4"). Our share of profit from our Mainland China businesses associates and joint ventures increased by 10.5% to HK$707 million in 2023, primarily because of improved performance following post-pandemic recovery in patronage.

In our international businesses, due to the operational challenges of Stockholms pendeltåg and Mälartåg, recurrent business loss from our railway subsidiaries was HK$33 million in 2023. Our share of profit from our international businesses associates and joint ventures was HK$50 million in 2023. Loss provisions of HK$1,022 million had also been made in relation to Stockholms pendeltåg and Mälartåg.

Mainland China and Macao

In Beijing, our associate operates Beijing Metro Line 4, the Daxing Line, Beijing Metro Line 14, Beijing Metro Line 16 ("BJL16"), and the Southern and Northern Sections of Beijing Metro Line 17 ("BJL17"). The remaining section of BJL16 and the Northern Section of BJL17 opened in

December 2023, and the remaining sections of BJL17 are under construction. All lines achieved stable operations during the year.

In Shenzhen, our wholly owned subsidiary operates SZL4 and the SZL4 North Extension, which maintained stable operations in 2023. However, as we have previously reported, there has been no increase in fares for SZL4 since we began operating the line in 2010. We expect that the mechanism and procedures for fare adjustments will take time to implement and that patronage will remain at a lower level for longer than expected. Therefore, an impairment provision of HK$962 million was recognised for the SZL4 service concession assets in the first half of 2022. Elsewhere, construction on Shenzhen Metro Line 13 continued to progress as planned, and all key contracts have been awarded.

In Hangzhou, Hangzhou Metro Line 1 ("HZL1"), the Xiasha Extension and Airport Extension, and Hangzhou Metro Line 5 all achieved stable operations in 2023 with on-time performance exceeding 99.9%. As previously reported, HZL1 has been suffering from losses for many of the past several years due to slow growth in patronage and the pandemic. As there is no patronage protection mechanism under this concession agreement, the line's long-term financial viability will be impacted if patronage remains at a lower level over a further period of time, especially when compounded by the lower average fare resulting from the expanded network.

In Macao, we operate and maintain the Macao Light Rapid Transit Taipa Line, the city's first rapid transit system. Train services achieved stable operations during the year. The operations and maintenance contract for this service will end in 2024.

MTR is also involved in the development of commercial and residential properties as well as station commercial business in Mainland China. Foot traffic at both TIA Mall in Shenzhen and Ginza Mall in Beijing experienced gradual recovery as the pandemic subsided. Construction of our shopping mall at Tianjin Beiyunhe Station continued during the year and is expected to be completed in 2024. The Company is studying possible strategic options for all our malls in Mainland China in response to the challenging retail property market conditions. Our mixed-use transit-oriented development ("TOD") project at Hangzhou West Station and our station commercial business in Chengdu continued to progress.

Europe

In the UK, the Elizabeth line saw its peak time frequency increased to 24 trains per hour in each direction between Paddington and Whitechapel stations, up from 22, in May 2023. In 2022, the concession to operate the Elizabeth line was extended to May 2025. Our associate operates the South Western Railway, one of the UK's largest rail networks, which also achieved stable operations. In February 2023, the National Rail Contract was extended by two years to May 2025. Under this agreement, the UK Department for Transport retains all revenue risk and substantially all cost risk.

MTR operated four businesses in Sweden during the reporting period, making it the country's largest rail operator by passenger volume. Stockholm Metro (Stockholms tunnelbana) achieved steady operations in 2023. This service contract will end in 2025, and our bid for the new Stockholm Metro service contract was unsuccessful. MTRX also achieved steady operations during the year. On 8 February 2024, we entered into an agreement to divest of MTRX. The transaction is expected to be completed by the end of May 2024, following regulatory approval. Subject to completion of the transaction, the gain to be recognised in 2024 from the transaction is not expected to be material. Stockholms pendeltåg and Mälartåg continued to face challenges from driver shortages and maintenance issues. In November 2023, we announced that we had entered into a supplemental agreement with the Stockholm Public Transport Authority for the early termination of our concession for Stockholms pendeltåg, effective 2 March 2024, and a loss provision of HK$702 million from the early termination was recognised in 2023. In February 2024, we also entered into a supplemental agreement with our client, Mälardalstrafik, for the early termination of our concession of Mälartåg effective 16 June 2024. A loss provision of HK$320 million was recognised for this business in 2023.

Australia

Our subsidiary in Melbourne operates the city's metropolitan network and achieved steady operations in 2023. The concession for this service has been extended to mid-2026. We continue to support our client, the Victoria State Government, on various network improvement initiatives. The Sydney Metro North West Line also achieved stable operational performance and a high level of customer satisfaction during the year. For the Sydney Metro City & Southwest Project, we continue to test trains running under Sydney Harbour prior to the launch of passenger services for the line's City section in 2024.

Growth Outside of Hong Kong

The Company regularly explores opportunities to grow its business in Mainland China, including the Greater Bay Area, as well as overseas. In July, we signed a Memorandum of Understanding with MRT Corporation in Malaysia on the collaboration framework for a TOD project adjacent to the terminal station of a new rapid transit line.

Environmental, Social and Governance

ESG (environmental, social and governance) plays a crucial role in MTR's day-to-day operations as well as the Company's long-term planning for sustainable growth.

In 2023, we set 44 key performance indicators ("KPIs") to drive progress in 10 focus areas underpinning our three main Environmental and Social Objectives, namely Greenhouse Gas ("GHG") Emissions Reduction, Social Inclusion, and Advancement and Opportunities. During the year, most of the KPIs had either been achieved or were on track to be achieved.

Environmental Aspects

We take our leadership role as a provider of low-carbon mass transit seriously and strive to limit our GHG emissions wherever possible. In 2023, we were pleased to announce that the Science Based Targets initiative ("SBTi") approved our targets for reducing GHG emissions in our Hong Kong railway operations and investment properties. Under these targets, we will reduce about half of our GHG emissions by 2030, using the base year of 2019 for comparison. This represents an important step towards attaining our long-term goal of achieving carbon neutrality by 2050. The current key initiatives include a chiller replacement programme, the introduction of electric buses, waste management programmes, and the adoption of green and low-carbon designs for our future rail and property developments.

Social Aspects

One of MTR's most important missions is to provide safe, reliable and efficient railway services for passengers from all walks of life. In 2023, we promoted Universal Basic Mobility by introducing new assistance features for the elderly and those in need on our "MTR • Care" mobile app and working with a variety of support groups to better understand the needs of different communities. MTR was awarded the "CareER Inclusive Employer Badge" for participating in their Disability Inclusion Index and providing job opportunities for people with disabilities. The Company also sponsored numerous events in Hong Kong organised to support disability inclusion, ethnic diversity and gender equity in the community and workforce.

We presented a vibrant and varied programme of events at the Living Art Stage at Hong Kong Station, including performances by artists ranging from the internationally renowned Mr Doodle to bagpipers and buskers, in order to enhance the passenger journey experience. In June, we also collaborated with the exhibition organiser for Florentijn Hofman's Double Ducks, taking these iconic rubber duck images to Admiralty Station and multiple other locations along our railway lines to create opportunities for passenger interaction.

Passenger and staff safety is always our top priority. In 2023, the number of reportable events increased in both our heavy rail and light rail networks by 48% and 14%, respectively. Many of these incidents were related to escalators; in response, we continued to carry out numerous safety initiatives on operational and escalator safety, focusing in particular on youth and the elderly.

In 2023, we continued to organise and support activities that create opportunities for youth, our communities and business partners. During the year, we revamped our "'Train' for Life's Journeys" youth programme to include design thinking, entrepreneurship, financial literacy and AI usage. We also participated in a variety of learning and development programmes for students and working youth focused on areas including STEM, ESG, entrepreneurship and more.

Governance

MTR maintains a robust corporate governance framework to ensure ethical and transparent conduct and protect the best interests of its shareholders and stakeholders. We regularly review our governance practices to achieve the ESG goals set out in our Corporate Strategy. As at the end of 2023, over a quarter of our Board of Directors were female.

The Company's robust enterprise risk management framework covers a wide range of risks, including strategic, operational, financial, safety, compliance and reputational risks, as well as preparedness, mitigation and contingency measures. We conduct regular reviews of our top risks, emerging risks and ESG-related risks to account for our constantly evolving business and operating environments. Our "three lines of defence" framework also helps ensure proactive and effective management of risk.

Human Resources

As at 31 December 2023, the Company and its subsidiaries employed 17,405 staff in Hong Kong and 16,000 staff outside Hong Kong. Our associates and joint ventures employed an additional 21,498 staff in Hong Kong and worldwide. In 2023, the voluntary staff turnover rate in Hong Kong was 7.2%.

MTR seeks to be an employer of choice by offering competitive pay and benefits, short- and long-term incentive schemes, career development opportunities, and performance-based recognition and rewards. We emphasise advancement and opportunities through a range of training and career development programmes, and our well-being initiatives and family-friendly policies help staff achieve work-life balance. Our graduate, apprenticeship and internship recruitment initiatives also provide career opportunities for local youth.

We adopt the listening strategy of conducting Employee Engagement Surveys regularly in order to solicit employees' valuable feedback and to take action to create continuous improvement. With management's support, 80 taskforce members launched more than 120 initiatives between 2022 and 2023, so as to address the needs voiced by employees. The Employee Engagement Survey 2023 was conducted in late 2023 and achieved a 77% response rate. The results will be shared with staff in the first quarter of 2024 with follow-up action plans to be developed gradually and implemented from June 2024 onwards.

FINANCIAL PERFORMANCE

In addition to the above brief report of the Group's results and operations, this section discusses and analyses such results in more details.

Consolidated Profit or Loss

HK$ million	Year ended 31 December 2023	2022	Favourable/(Unfavourable) Change HK$ million	%
Total Revenue	**56,982**	47,812	9,170	19.2
Recurrent Business Profit[ζ]				
EBIT[#*]				
Hong Kong Transport Services				
– Hong Kong Transport Operations	**(1,111)**	(4,733)	3,622	76.5
– Hong Kong Station Commercial Businesses	**3,792**	2,270	1,522	67.0
Total Hong Kong Transport Services	**2,681**	(2,463)	5,144	n/m
Hong Kong Property Rental and Management Businesses	**3,999**	3,800	199	5.2
Mainland China and International Railway, Property Rental and Management Subsidiaries*	**524**	962	(438)	(45.5)
Other Businesses, Project Study and Business Development Expenses	**(341)**	(539)	198	36.7
Share of Profit of Associates and Joint Ventures	**1,259**	1,095	164	15.0
Total Recurrent EBIT (before Special Loss Provisions)	**8,122**	**2,855**	**5,267**	**184.5**
Interest and Finance Charges	**(1,213)**	(1,061)	(152)	(14.3)
Income Tax	**(1,302)**	(361)	(941)	(260.7)
Non-controlling Interests	**(304)**	(314)	10	3.2
Recurrent Business Profit (before Special Loss Provisions)	**5,303**	**1,119**	**4,184**	**373.9**
Provisions for Onerous Contracts and Impairment Loss	**(1,022)**	(962)	(60)	(6.2)
Recurrent Business Profit (after Special Loss Provisions)	**4,281**	**157**	**4,124**	**n/m**
Property Development Profit (Post-tax)				
Hong Kong	**2,035**	10,413	(8,378)	(80.5)
Mainland China	**48**	67	(19)	(28.4)
Property Development Profit (Post-tax)	**2,083**	**10,480**	**(8,397)**	**(80.1)**
Underlying Business Profit[ε]	**6,364**	**10,637**	**(4,273)**	**(40.2)**
Gain/(Loss) from Fair Value Measurement of Investment Properties (Post-tax)				
Gain/(Loss) from Fair Value Remeasurement on Investment Properties	**60**	(3,076)	3,136	n/m
Gain from Fair Value Measurement of Investment Properties on Initial Recognition from Property Development	**1,360**	2,266	(906)	(40.0)
Gain/(Loss) from Fair Value Measurement of Investment Properties (Post-tax)	**1,420**	**(810)**	**2,230**	**n/m**
Net Profit Attributable to Shareholders of the Company	**7,784**	**9,827**	**(2,043)**	**(20.8)**

ζ: *Recurrent business profit represents profit from the Group's Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, Mainland China and international railway, property rental and management businesses and other businesses (excluding fair value measurement of investment properties in Hong Kong and Mainland China)*

#: *EBIT represents profit before interest, finance charges and taxation*

*: *Excluding special loss provisions, being provisions for onerous contracts made for Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023 and impairment loss made for Shenzhen Metro Line 4 of HK$962 million in 2022*

ε: *Underlying business profit represents profit from the Group's recurrent businesses and property development businesses*

n/m: *not meaningful*

In 2023, the Group achieved satisfactory financial performance in its recurrent businesses, benefiting from the resumptions of Cross-boundary, HSR and Duty Free businesses, as well as solid revenue contributions from continuing recovery in Domestic Service patronage after anti-pandemic restrictions were lifted. Our property development business recorded modest profits from LOHAS Park Package 11 and various completed projects, as compared to profits from three development projects recognised in 2022.

Total Revenue

The Group's total revenue in 2023 increased by 19.2% to HK$56,982 million compared to 2022. This increase was mainly contributed by (i) the gradual ramping-up of Cross-boundary and HSR fare revenue together with Duty Free rental income following the reopening of rail links with Mainland China; and (ii) strong recovery in Domestic Service patronage compared to the low base of revenue recorded during the first half in 2022, when the outbreak of the fifth wave of COVID-19 impacted Hong Kong.

Recurrent Business Profit

The Group recorded recurrent business profit of HK$4,281 million in 2023 compared to HK$157 million last year after taking into account the special loss provisions made on Stockholms pendeltåg and Mälartåg regional traffic in 2023 and Shenzhen Metro Line 4 in 2022. The improvement in recurrent business profit was mainly attributable to the increased EBIT of Hong Kong transport operations ("HKTO") and Hong Kong station commercial businesses ("HKSC") as a result of the aforementioned resumptions of cross-boundary rail services and Duty Free business and the recovery of Domestic Service patronage.

In 2023, the Group recognised special loss provisions totalling HK$1,022 million, of which HK$702 million related to the early termination of the Stockholms pendeltåg concession effective 2 March 2024, and HK$320 million related to the on-going operational challenges of the Mälartåg regional traffic concession in respect of which a supplementary agreement was signed with Mälardalstrafik in February 2024 to early terminate our service of Mälartåg regional traffic effective 16 June 2024. The provision for onerous contract of Stockholms pendeltåg comprised (i) the "exit fee"; (ii) provisions for certain assets written-off; and (iii) a provision for wind-down costs. For Mälartåg regional traffic, the provision for onerous contract was made based on the estimated unavoidable costs in accordance with the accounting standard requirement, and the loss arising under the terms of the supplementary agreement is not expected to be materially different from the provision already made in 2023. In 2022, an impairment loss of HK$962 million was recognised in respect of Shenzhen Metro Line 4.

EBIT

HKTO: EBIT loss narrowed substantially by HK$3,622 million, or 76.5%, to HK$1,111 million in 2023 compared to an EBIT loss of HK$4,733 million in 2022. This was the result of increased revenue brought by (i) recoveries in Cross-boundary Service, HSR and Airport Express patronage; (ii) the rebound in Domestic patronage after the end of the pandemic; and (iii) a full-year contribution from the East Rail Line cross-harbour extension which opened in May 2022.

These favourable results were partially offset by (i) increased operating expenses due to higher energy tariff, inflation, enhanced train services for our Domestic Service, resumptions of Cross-boundary Service and HSR operations, and incremental costs from the new East Rail Line cross-harbour extension; (ii) higher depreciation from railway asset renewals or commissionings; and (iii) higher variable annual payment to KCRC in line with increased revenue.

HKSC: EBIT increased significantly by HK$1,522 million, or 67.0%, to HK$3,792 million, predominantly due to the resumption of Duty Free Shop rental revenue after the reopening of boundary crossing stations. Other station retail rentals continued to be adversely affected by overall negative rental reversions on renewals and new lets.

Hong Kong property rental and management businesses: EBIT increased by HK$199 million, or 5.2%, to HK$3,999 million. This was mainly due to lower amortisation of rental concessions charged in 2023 as well as additional contributions following the opening of our two new shopping malls: The Wai in July 2023, and the first phase opening of THE SOUTHSIDE in December 2023. The increase was partly offset by the adverse impact of overall negative rental reversions as the gradual recovery of the retail market was affected by the increasing trend of northbound spending.

Mainland China and international railway, property rental and management subsidiaries: In 2023, EBIT saw a significant decrease of HK$438 million, or 45.5%, to HK$524 million before special loss provisions. This was mainly due to (i) the continuous challenges being faced regarding the operational and financial performances of Stockholms pendeltåg and Mälartåg regional traffic; and (ii) the depletion of government subsidy in late 2022 for Shenzhen Metro Line 4, which resulted in no government subsidy being booked in profit or loss in 2023. These adverse factors were partially mitigated by the post-pandemic patronage recovery of Shenzhen Metro Line 4.

Other businesses, project study and business development expenses: EBIT loss from these businesses was HK$341 million in 2023, compared to the loss of HK$539 million recorded in 2022. The reduction in loss of HK$198 million, or 36.7%, was due to increased visitor numbers at Ngong Ping 360 and, hence, improved financial performance.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures increased by HK$164 million, or 15.0%, to HK$1,259 million in 2023. This was mainly due to (i) higher profit sharing in Octopus Holdings Limited resulting from boundary reopening and improved consumer sentiment after the lifting of social distancing policies; and (ii) the improved performance of our operations in Mainland China due to patronage recovery.

Total Recurrent EBIT (before Special Loss Provisions)

Total recurrent EBIT (before special loss provisions) increased by HK$5,267 million to HK$8,122 million.

Income Tax

Income tax increased by HK$941 million to HK$1,302 million in 2023. This was mainly due to the increase in recurrent business profit in Hong Kong.

Since the Rail Merger in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of certain payments relating to the Rail Merger (collectively "the Sums"). The total tax amount in respect of the Sums for the years of tax assessment from 2007/2008 to 2023/2024 amounted to HK$5.1 billion. On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing that the Sums are tax deductible. The Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022. After discussing with the external legal counsels and tax advisor on the approach to the appeal, the Company decided not to pursue its deduction claims in respect of the amortisation of upfront payment and cut-over liabilities during the opening submission before Board of Review. As the Company had already made the related tax provision for the amortisation of upfront payment and cut-over liabilities in the past years taking into account the uncertainty in their tax deductibility, no additional tax provision is required. The hearing of appeal was held before the Board of Review in early 2024. As at the date of this annual report, the Board of Review has yet to hand down its decision. Further details are set out in Note 16 "Income Tax in the Consolidated Statement of Profit or Loss" of the Consolidated Financial Statements.

Property Development Profit (Post-tax)

Property development profit (post-tax) was HK$2,083 million in 2023, which was mainly derived from initial profit from LOHAS Park Package 11 and residual profits from various completed projects. The decrease of HK$8,397 million compared to the HK$10,480 million recorded in 2022 as profits in respect of three of our development projects were recognised.

Gain/(Loss) from Fair Value Measurement of Investment Properties (Post-tax)

Gain from fair value measurement of investment properties in Hong Kong and Mainland China was HK$1,420 million in 2023. This comprised (i) a portion of gain of HK$1,360 million recognised from the initial fair value measurement of our sharing-in-kind property (i.e., THE SOUTHSIDE shopping mall); and (ii) a marginal gain of HK$60 million from investment property fair value remeasurement after tax.

Net Profit Attributable to Shareholders of the Company

Taking into account the Group's recurrent businesses, property development businesses and fair value measurement of investment properties, the Group reported a net profit attributable to shareholders of the Company of HK$7,784 million in 2023, a decrease of HK$2,043 million, or 20.8%, compared to the HK$9,827 million recorded in 2022.

Consolidated Financial Position

HK$ million	**31 December 2023**	31 December 2022	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Net Assets	**178,856**	179,912	(1,056)	(0.6)
Total Assets	**346,426**	327,081	19,345	5.9
Total Liabilities	**167,570**	147,169	20,401	13.9
Gross Debt^	**59,491**	47,846	11,645	24.3
Net Debt-to-equity Ratio$^{\delta}$	**26.5%**	23.3%		3.2% pts

^: *Gross debt represents loans and other obligations, and short-term loans*

δ: *Net debt-to-equity ratio represents net debt of HK$47,316 million (2022: HK$41,994 million), which comprises loans and other obligations, short-term loans, obligations under service concession and loans from holders of non-controlling interests net of cash, bank balances and deposits in the consolidated statement of financial position, as a percentage of the total equity of HK$178,856 million (2022: HK$179,912 million)*

Net Assets

Our financial position remains strong. The Group's net assets decreased slightly by HK$1,056 million to HK$178,856 million as at 31 December 2023. This is mainly attributable to the payments of 2022 final and 2023 interim ordinary dividends, decrease in other reserves, but offset by the net profit recorded for the year.

Total Assets

Total assets increased by 5.9% to HK$346,426 million. This was mainly due to the increase in cash, bank balances and deposits as well as the receipt of our shopping mall THE SOUTHSIDE as an investment property.

Total Liabilities

Total liabilities increased by 13.9% to HK$167,570 million. This was mainly due to the net drawdown of loans, the deferred income retained regarding a portion of the gain from the initial fair value measurement of THE SOUTHSIDE shopping mall after considering the outstanding risks and obligations relating to THE SOUTHSIDE Package 3 property development project and the amount received in respect of our Hong Kong property development.

Gross Debt and Cost of Borrowing

As at 31 December 2023, the Group's gross debt (being loans and other obligations, and short-term loans) was HK$59,491 million, an increase of 24.3%, or HK$11,645 million, over the previous year. The weighted average borrowing cost of the Group's interest-bearing borrowings was 3.5% p.a. in 2023, an increase of 1.0% point from 2.5% p.a. in 2022.

Net Debt-to-equity Ratio and Interest Cover

Net debt-to-equity ratio increased by 3.2% points to 26.5% as at 31 December 2023 from 23.3% as at 31 December 2022. This was mainly due to an increase in net debt for capital expenditure of new railway projects. The Group's interest cover in 2023 was 9.8 times compared to 14.2 times in the previous year.

Consolidated Cash Flows

HK$ million	Year ended 31 December 2023	2022
Net Cash Generated from Operating Activities	**11,197**	**6,757**
Receipts from Property Development	**7,109**	14,162
Payments of Property Development	**(1,007)**	(9,245)
Fixed and Variable Annual Payments	**(1,073)**	(1,010)
Other Net Cash Outflow from Investing Activities	**(11,846)**	(10,219)
Net Cash Used in Investing Activities	**(6,817)**	**(6,312)**
Net Drawdown of Debts, Net of Lease Rental and Interest Payments	**10,005**	4,100
Dividends Paid to Shareholders of the Company	**(7,595)**	(8,562)
Other Net Cash Outflow from Financing Activities	**(537)**	(109)
Net Cash Generated from/(Used in) Financing Activities	**1,873**	**(4,571)**
Effect of Exchange Rate Changes	**82**	(710)
Cash, Bank Balances and Deposits reclassified as Disposal Group Held for Sale	**(94)**	–
Increase/(Decrease) in Cash, Bank Balances and Deposits	**6,241**	**(4,836)**

Net Cash Generated from Operating Activities

Net cash generated from operating activities was HK$11,197 million compared to HK$6,757 million in 2022. This was mainly due to the increase in recurrent business profit as discussed above.

Net Receipts from Property Development

Net receipts from property development were HK$6,102 million, comprising (i) cash receipts of HK$7,109 million mainly from the Tai Wai station property development project, various LOHAS Park packages and Ho Man Tin Station package, which were partially offset by (ii) cash payments of HK$1,007 million mainly for Oyster Bay Project.

Other Net Cash Outflow from Investing Activities

Other net cash outflow from investing activities was HK$11,846 million. This mainly included capital expenditure of HK$12,576 million, comprising HK$8,463 million for investments in additional assets such as station renovation works, new trains and signalling systems for existing Hong Kong railways and related operations; HK$2,309 million for Hong Kong railway extension projects; HK$1,250 million for Hong Kong investment properties, in particular the fitting-out works for The Wai and THE SOUTHSIDE; and HK$554 million for Mainland China and overseas subsidiaries such as Shenzhen Metro Line 13.

Dividends Paid to Shareholders of the Company

In 2023, the Group paid dividends of HK$7,595 million in cash (being the 2022 final dividend of HK$0.89 per share and the 2023 interim dividend of HK$0.42 per share) compared to HK$8,562 million in 2022 (being the 2021 final dividend of HK$1.02 per share and the 2022 interim dividend of HK$0.42 per share). The decrease in dividend cash outflow was because the proportion of interim dividend per share to the annual dividend per share had increased in 2022 interim.

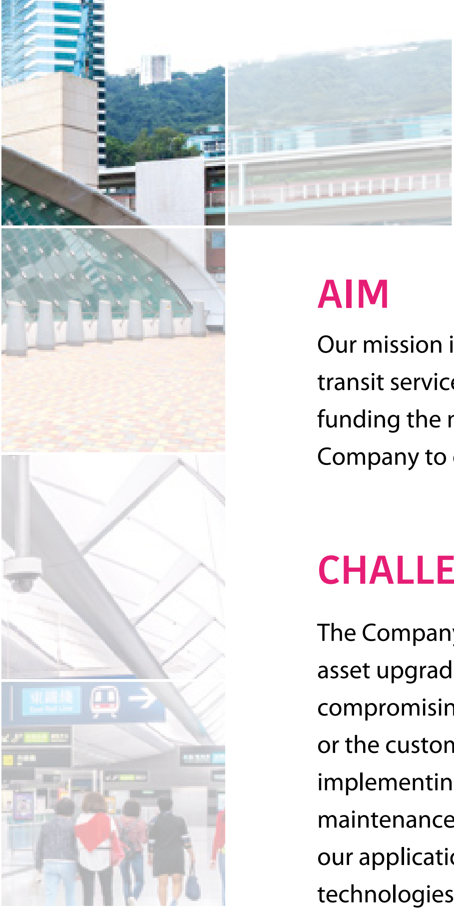
HONG KONG TRANSPORT SERVICES

TRANSPORT OPERATIONS

1.8+ billion
Total Patronage

5.52 million
Average Weekday Patronage

99.9%+
Passenger Journeys On-time on Heavy Rail Network



AIM

Our mission is to Keep Cities Moving with safe, reliable, accessible and environmentally friendly mass transit services. MTR's transport operations provide revenue that generates shareholder value while also funding the maintenance, improvement and expansion of its world-class rail networks, thus enabling the Company to grow sustainably alongside the communities it serves.

CHALLENGES

The Company is in the midst of managing major asset upgrades and replacements without compromising safety, service performance or the customer experience. This includes implementing railway asset renewal and maintenance initiatives as well as accelerating our application of the latest innovations and technologies to maintain our railway assets at an even higher standard. Meanwhile, we are monitoring economic, lifestyle and demographic changes that could impact travel patterns within our communities.

STRATEGIES

The resumption of cross-boundary services has provided an opportunity to capitalise on increased travel between Hong Kong and Mainland China. The Company also continues to devise attractive marketing and promotional offers for passengers in light of higher traffic in the post-pandemic era. Meanwhile, our efforts to "Go Smart Go Beyond" by incorporating smart, sustainable technologies throughout our operations are on-going.

OUTLOOK

Patronage has largely recovered since the removal of pandemic-related restrictions and the resumption of cross-boundary traffic. However, continued growth remains dependent on economic recovery in an uncertain global environment.

Following the conclusion of the Fare Adjustment Mechanism ("FAM") review, the existing direct-drive formula has been retained with certain new arrangements that will maintain fare affordability for passengers while ensuring MTR's financial sustainability, its capacity to maintain, upgrade and renew the existing railway system, and its ability to embark upon new projects that enhance connectivity.

Elsewhere, we are now implementing the recommendations from the comprehensive review of our railway asset management and maintenance regime, which was completed in June 2023. Also, we are increasing our use of innovation and technology, including comprehensive programmes to upgrade our trains and signalling system.

Going forward, the Company remains prepared to work with Government on the upcoming phase of the city's transit infrastructure development and always stands ready to "Go Beyond Boundaries" to help expand and enhance the local railway network and build thriving communities around rail stations.

SAFETY

Safety is always our top priority. In 2023, the number of reportable events on our heavy rail and light rail networks increased by 48% and 14%, respectively, compared to 2022. These incidents were largely related to escalators.

Our Escalator Safety Special Task Force launched a number of initiatives during the year targeted primarily at youth and the elderly; in particular, our newly established Elderly Caring Programme is designed to focus on incident prevention and reduction as well as safety education for seniors. We also began introducing new creative publicity content focused on escalator safety and deployed additional Escalator Safety Ambassadors starting from April 2023.

Important operational safety initiatives during the year included the full launch of a supervisory system for train speed and position; installing smart flashing bollards with flashing yellow strips at the pedestrian crossings of 20 Light Rail locations; installing CCTVs to monitor platform and track safety; and launching smart tunnels along the Tsuen Wan and East Rail lines.

Further details about our safety performance can be found in the Ten-Year Statistics of this Annual Report. For details on our corporate safety strategies, please refer to the "Environmental & Social Responsibility" section (page 73) of this Annual Report.

PATRONAGE AND REVENUE

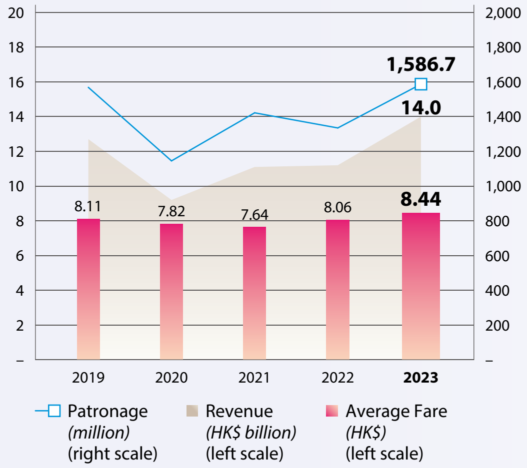
	Patronage In millions		Revenue HK$ million	
	2023	Inc./(Dec.) %	**2023**	Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service	**1,586.7**	18.9	**13,995**	24.5
Cross-boundary Service	**71.5**	n/m	**2,206**	n/m
High Speed Rail ("HSR")	**20.1**	n/m	**2,503**	78.7
Airport Express	**10.8**	249.6	**664**	418.8
Light Rail and Bus	**207.7**	15.4	**658**	17.3
	1,896.8	24.9	**20,026**	50.1
Others			**105**	61.5
Total			**20,131**	50.2

n/m: not meaningful

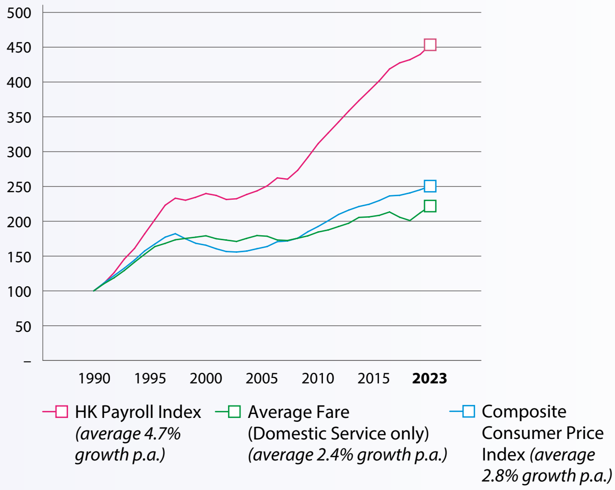
MTR rail and bus passenger services recorded 1,896.8 million passenger trips in 2023, a year-on-year increase of 24.9%. Average weekday patronage increased by 24.3% to 5.52 million passenger trips.

Total patronage for Domestic Service was 1,586.7 million in 2023, a year-on-year increase of 18.9%. Average weekday patronage for Domestic Service increased by 19.1% to 4.67 million. Domestic Service patronage for the year was close to returning to pre-pandemic levels. Meanwhile, other railway services experienced significant rebounds in patronage after anti-pandemic restrictions were lifted and services resumed. The Cross-boundary Service to Lo Wu and Lok Ma Chau recorded patronage of 71.5 million in 2023 following service resumptions in January and February, respectively. Patronage of our Cross-boundary Service has yet to return to pre-pandemic levels, although we are still encouraged by the service's on-going recovery. HSR patronage reached 20.1 million for the year – exceeding the pre-COVID level of 2019 – following the gradual resumption of service starting from mid-January that included higher frequencies and coverage to more destinations. Airport Express patronage saw a significant increase, rising to 10.8 million compared to 2022.

Domestic Service – Patronage and Average Fare



Fare Trend



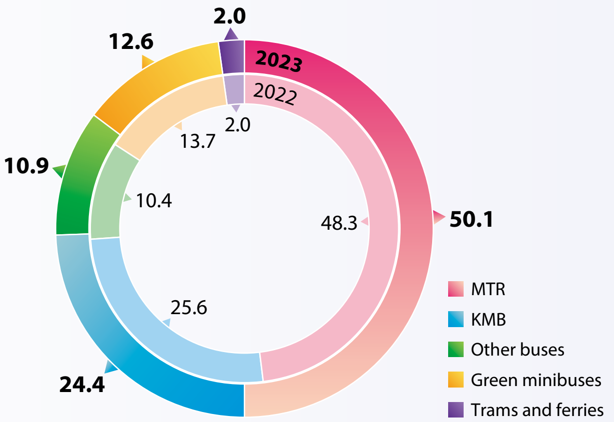
MARKET SHARE

In 2023, our overall share of the franchised public transport market in Hong Kong was 50.1%, 1.8% percentage points increase compared to the 48.3% recorded in 2022. This was mainly due to additional patronage from the opening of the East Rail Line cross-harbour extension in May 2022 coupled with continued patronage recovery for Cross-boundary Service, HSR and Airport Express – in which we have a relatively higher market share than other franchised public transport operators – after the gradual lifting of anti-pandemic measures. Our share of cross-harbour traffic was 72.3% compared to the 70.1% recorded in 2022.

With the phased reopening of HSR and Cross-boundary Service, our share of the cross-boundary business for 2023 rebounded to 53.0% from 0% in 2022 (due to service closures). The Company's market share to and from the airport rose to 19.9% from 18.2%.

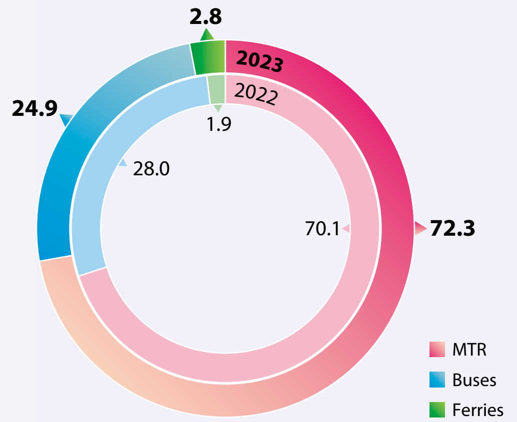
Market Shares of Major Transport Operators in Hong Kong

(Percentage)



Market Shares of Major Transport Operators Crossing the Harbour

(Percentage)



FARE ADJUSTMENTS, PROMOTIONS AND CONCESSIONS

MTR and Government concluded the FAM review in March 2023, retaining the current direct-drive FAM formula for the five-year cycle from 2023/2024 to 2027/2028 in order to provide a stable source of recurrent revenue for the maintenance, upgrading and renewal of railway assets. The existing "Affordability Cap" arrangement – by which the rate of any fare increase is capped at the change in the Median Monthly Household Income for the corresponding year – will also be kept in order to continue ensuring affordability. The formula's "Productivity Factor", meanwhile, has been enhanced to refer to MTR's post-tax profit from its property developments in Hong Kong. As a result, the corresponding rate of the Productivity Factor will lower the fare adjustment rate by 0.6 to 0.8 percentage point.

The Overall Fare Adjustment Rate for 2023/2024 is +2.3% after a special reduction of 1.2 percentage points as well as a special deferral of 1.65 percentage points and a voluntary deferral of 0.2 percentage point – both deferrals to 2024/2025 – to support the post-pandemic recovery of the economy. In addition, the service performance rebate has been enhanced with a new "Thank You Day" arrangement featuring a half-price fare discount for passengers. Monthly Pass and City Saver tickets have been extended to benefit medium- and long-distance travellers. From November 2023, MTR also offered a HK$0.5 interchange discount with Green Minibuses, up from HK$0.3.

During the year, we supported Government in its efforts to boost the economy by giving away free rides and organising a number of promotions. In an effort to make our services as accessible and affordable as possible, we also continued to offer approximately HK$2.9 billion in on-going fare concessions in 2023 for the benefit of all passengers, including commuters, the elderly, children, eligible students and persons with disabilities.

During the year, we rolled out a number of marketing initiatives to support the reopened Cross-boundary and HSR services as well as Airport Express. These included large-scale advertising and social media campaigns, special fare offers, and rewards programmes. We also celebrated the 25th anniversary of Airport Express with a series of activities and promotions, including special giveaways and the launch of limited-edition souvenirs.

SERVICE PERFORMANCE

MTR takes its mission to provide safe, on-time rail transport services seriously. In 2023, we exceeded 99.9% train service delivery and passenger journeys on-time for our heavy rail network, even as patronage continued to increase following the lifting of anti-pandemic measures. This figure exceeded the targets set in MTR's Operating Agreement and the Company's own even more demanding Customer Service Pledges. Train service delivery is a measure of the actual train trips run against those scheduled to be run. Passenger journeys on-time is a measure of all passenger journeys completed within five minutes of their scheduled journey times.

In 2023, we made more than 1.79 million train trips on our heavy rail network and more than 0.92 million trips on our light rail network. There were seven delays on the heavy rail network and three on the light rail network. Delays are defined as those lasting 31 minutes or more and attributable to factors within the Company's control. We closely review all incidents with the objective of preventing similar situations from occurring again.

MTR places the utmost priority on passenger safety. The Expert Panel that was appointed following two incidents in late 2022 completed a comprehensive review of the Company's railway asset management and maintenance regime in June 2023, and the Company is now implementing its recommendations. This includes investing in railway asset renewal and maintenance and accelerating the application of innovation and technology to maintain railway assets at an even higher standard.

MTR conducts regular surveys and research to gauge customer satisfaction levels regarding its services and fares, the results of which are published in the Company's Service Quality Index and Fare Index, respectively.

Operations Performance in 2023

Service Performance Item	Performance Requirement	Customer Service Pledge Target	**Actual Performance**
Train service delivery			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line and South Island Line	98.5%	99.5%	**99.9%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.9%**
– East Rail Line(1)	N/A	N/A	**N/A**
– Tuen Ma Line(2)	98.5%	99.5%	**99.9%**
– Light Rail	98.5%	99.5%	**99.9%**
Passenger journeys on-time			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line and Disneyland Resort Line	98.5%	99.5%	**99.9%**
– Airport Express	98.5%	99.0%	**99.9%**
– East Rail Line(1)	N/A	N/A	**N/A**
– Tuen Ma Line(2)	98.5%	99.0%	**99.9%**
Train punctuality			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line and South Island Line	98.0%	99.0%	**99.7%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line(1)	N/A	N/A	**N/A**
– Tuen Ma Line(2)	98.0%	99.0%	**99.9%**
– Light Rail	98.0%	99.0%	**99.9%**
Train reliability: train car-km per train failure causing delays ≥5 minutes			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	N/A	1,000,000	**3,694,324**
– East Rail Line and Tuen Ma Line	N/A	1,000,000	**6,044,970**
Ticket reliability: smart ticket transactions per ticket failure			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line, Airport Express, East Rail Line and Tuen Ma Line	N/A	18,000	**41,328**
Add value machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line	98.0%	99.0%	**99.8%**
– Tuen Ma Line	98.0%	99.0%	**99.9%**
Ticket machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.8%**
– East Rail Line	97.0%	99.0%	**99.8%**
– Tuen Ma Line	97.0%	99.0%	**99.8%**
– Light Rail	N/A	99.0%	**99.8%**
Ticket gate reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.9%**
– East Rail Line	97.0%	99.0%	**99.9%**
– Tuen Ma Line	97.0%	99.0%	**99.9%**
Light Rail platform Octopus processor reliability	N/A	99.0%	**99.9%**
Escalator reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line	98.0%	99.0%	**99.9%**
Passenger lift reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.8%**
– East Rail Line	98.5%	99.5%	**99.9%**
– Tuen Ma Line	98.5%	99.5%	**99.9%**
Temperature and ventilation			
– Trains, except Light Rail: to maintain a cool, pleasant and comfortable train environment generally at or below 26ºC	N/A	97.5%	**99.9%**
– Light Rail: on-train air-conditioning failures per month	N/A	<3	**0**
– Stations: to maintain a cool, pleasant and comfortable environment generally at or below 27ºC for platforms and 29ºC for station concourses, except on very hot days	N/A	94.0%	**99.8%**
Cleanliness			
– Train compartment: cleaned daily	N/A	99.0%	**99.9%**
– Train exterior: washed every two days (on average)	N/A	99.0%	**100%**
Northwest transit service area bus service			
– Service Delivery	N/A	99.0%	**99.6%**
– Cleanliness: washed daily	N/A	99.0%	**100%**
Passenger enquiry response time within six working days	N/A	99.0%	**100%**

Notes:

1 *The performance requirement, customer service pledge target and actual performance results will be available upon the completion of two years of revenue operations for the East Rail Line cross-harbour extension.*

2 *These figures reflect the actual performance of the Tuen Ma Line for the period between 27 June and 31 December 2023.*

Service Quality Index	2023	2022
Domestic and Cross-boundary services	**70**	68^
Airport Express	**83***	N/A*
Light Rail	**68**	66
Bus	**78**	73
HSR	**88***	N/A*

Fare Index	2023	2022
Domestic and Cross-boundary services	**65**	64^
Airport Express	**74***	N/A*
Light Rail	**71**	65
Bus	**77**	74
HSR	**82***	N/A*

^ *This only measured Domestic Service as Cross-boundary Service to Lo Wu and Lok Ma Chau were closed from early February 2020 to early 2023.*

* *The Voice of Customer surveys for Airport Express and HSR were suspended from 2020 to the first half of 2023 due to the outbreak of the COVID-19 pandemic and resumed in the second half of 2023.*

MTR also belongs to The Community of Metros (“COMET”), which establishes performance benchmarks from urban metro systems around the world with the aim of improving best practices in the industry. The 2022 COMET benchmarking exercise assessed data from 44 metro systems in 40 cities around the world. Results can be found in the “Performance Metrics” section of our sustainability website.

ENHANCING THE CUSTOMER EXPERIENCE

In 2023, MTR continued to “Go Smart Go Beyond” by adopting the latest technologies and innovations to provide safer, more efficient and accessible services, deliver a better and smarter customer experience, and increase sustainability across the Company’s operations.

As part of our efforts to advance our environmental objectives, we are also implementing numerous green initiatives. Further details can be found in the Environmental & Social Responsibility of this Annual Report.

To engage with our community and show our appreciation of passengers’ support over the years, we hosted celebrations for the 5th anniversary of HSR, 25th anniversary of Airport Express and 35th anniversary of Light Rail in 2023. On the occasion of the Light Rail celebration, we hosted a Light Rail Depot Open Day and put two “35th Anniversary Retro-themed Light Rail Vehicles” into service. We also reopened the MTR Gallery in December 2023 with a mix of exhibits, interactive games and photo spots showcasing MTR elements.

Boosting Passenger Convenience

Starting from 11 October 2023, we added five new destinations to our HSR service, including Jiangmen, Kaipingnan, Yangjiang, Maoming and Zhanjiangxi. Passengers can now travel to 73 Mainland destinations directly from Hong Kong.

Upgrade of Automatic Fare Collection System

In March 2023, the Company launched a HK$1.3 billion asset renewal programme to upgrade its Automatic Fare Collection system by progressively replacing 2,400 entry/exit gates at MTR stations across Hong Kong. The new gates have a slimmer body that makes walkways wider, and they also feature software that supports more e-payment options for the convenience of passengers and tourists. We are also gradually expanding the payment functions at in-station Customer Service Centres to include cash, Octopus, QR code e-wallets and credit cards for purchasing products such as Monthly Pass Extra, City Saver tickets and MTR souvenirs.

New Trains and Light Rail Vehicles

Our programme to replace existing trains with newer, more comfortable models continued in 2023 as 13 new SACEM Q-trains were put into service along the Kwun Tong Line. Overall, we have ordered 93 new heavy rail eight-car trains; as at 31 December 2023, we had received delivery of 29.

The Company also ordered 40 new light rail vehicles ("LRVs") to replace older vehicles and expand its fleet. All of the new LRVs have been in passenger service since August 2023.

Replacement of Signalling System

During the year, we continued our programme to replace our existing SACEM signalling system with a communication-based train control signalling system ("CBTC System"). Once this important asset renewal project is completed, our train services can be enhanced to boost our overall carrying capacity, increasing convenience for passengers while fulfilling our long-term operational needs. The new CBTC System is expected to commence service on the Tsuen Wan Line between 2025 and 2026, followed by the Island, Kwun Tong and Tseung Kwan O lines, after testing is completed to confirm that it meets the requirements of relevant Government departments. Overall project completion is expected between 2028 and 2029.

Replacement of Air Conditioning Systems

We have begun our new programme to replace 31 of our existing chillers with newer, more energy-efficient models. This project is expected to enhance comfort for commuters within stations while simultaneously reducing energy consumption. It is targeted for completion in 2025.

Enhancing Station Facilities

In 2023, we continued our extensive efforts to make our stations as comfortable and accessible as possible. Our escalator enhancement programme to improve the comfort and safety of passengers is making excellent progress. We will invest over HK$450 million to refurbish more than 100 escalators throughout our stations from 2024 to 2028 and over HK$260 million to replace more than 30 escalators from 2024 to 2026. We also continued to renovate public toilets in stations and improve accessibility for the elderly and disabled. Five stations are now equipped with a smart toilet management system, providing passengers with digital display information on toilet cubicle availability and indoor air quality.

In May 2023, we embarked on a programme to install automatic platform gates along the Lo Wu/Lok Ma Chau to Mong Kok East section of the East Rail Line. As part of this initiative, gates were successfully installed at Racecourse and Lok Ma Chau stations over the course of the year. Our team is diligently working towards the targeted completion date of 2025 for this project, which involves installing gates at 35 platforms across 13 stations.

ENHANCING PASSENGER JOURNEYS THROUGH TECHNOLOGY

Smart Mobility

MTR is committed to "Go Smart Go Beyond" for its customers by incorporating the latest technological trends and innovations to enhance service and convenience. In 2023, the Company expanded coverage of the MTR Mobile app's "Next Train" function to provide estimated arrival times for all lines (except the Disneyland Resort Line), making it easier for passengers to plan their trips. In April, we began introducing digitalised leaflets that allow passengers to scan QR codes for access to a new mini website containing station-specific information, an initiative that helps meet our objective to reduce paper waste. In May, we worked with Octopus Cards Limited to launch the Personalised Mobile Octopus with student status ("Student Mobile Octopus"), which allows people holding physical Student Octopus cards to transfer them onto Mobile Octopus for a more digitalised experience – the first time Mobile Octopus has carried an MTR concessionary fare discount. We were also proud to introduce new features to the "MTR • Care" app, including "Barrier-free Facilities Information" as well as a simplified, elderly-friendly version of "Trip Planner" that now has real-time information on lift maintenance.

Smart Operations and Maintenance

We also work behind the scenes to ensure that our railway operations and maintenance processes are updated with the latest technological advancements, enabling our passengers to continue benefitting from world-class train service, safety and efficiency. In July 2023, we launched the "Train Performance and Health Monitoring System" on the R-train of the East Rail Line to monitor fleet health and performance, optimise our maintenance regime, and increase train availability and reliability. In October 2023, we completed deployment along the East Rail Line of "Smart Train Planning", a cloud-based AI platform co-developed with Alibaba that optimises train mileage regulation and planning. We also continued to install the AI-powered SACEM Remote Monitoring and Alarm Detection system, which helps perform real-time analysis of operations to prevent potential service issues, on trains and at depots across our network.

MTR is one of the first enterprises in Hong Kong to experience AI with the Copilot system for Microsoft 365. We plan on utilising these AI-enabled solutions to enhance operations, customer service and internal workflows.

Leveraging other advancements in AI, we also applied video analytic technology at platforms to detect passengers standing or moving beyond yellow lines and on tracks in order to ensure that operators can respond in a timely fashion and ensure passenger safety. This technology was launched along the East Rail Line (from Mong Kok East to Lo Wu/Lok Ma Chau stations) in 2023. It was also piloted at selected Light Rail platforms in 2023 and will be progressively put in service in 2024.

In Barcelona on 4 June 2023, MTR was honoured with a prestigious UITP (International Association of Public Transport) Award at the UITP Global Public Transport Summit, the world's foremost biennial gathering of public transport authorities, operators and industry suppliers. The Company's "Go Smart Go Beyond – Smart and Inclusive Journey" programme was a joint winner in the "Technological Innovation" category for its integration of the latest innovations and technologies to improve the customer experience, create an inclusive travelling experience, and incorporate sustainability and energy-saving initiatives across the Company.

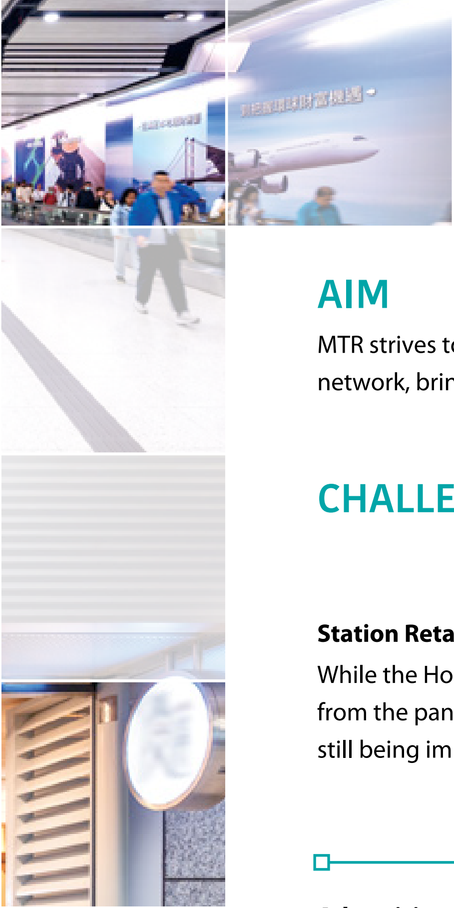
HONG KONG TRANSPORT SERVICES

STATION COMMERCIAL BUSINESSES

1,569
Station Shops covering 70,503 Square Metres

42,484
Advertising Units

5G
Data Access in 79 Stations



AIM

MTR strives to provide high-quality retail, advertising and telecommunications services throughout its network, bringing value to customers, business partners and shareholders.

CHALLENGES

Station Retail

While the Hong Kong economy is emerging from the pandemic, our station retail business is still being impacted by negative rental reversion.

Advertising

Although the market has benefitted from economic recovery, advertisers are still taking a cautious approach towards spending.

Telecommunications

Rising customer demand for faster connections and wider coverage continues to place pressure on MTR to upgrade the telecommunications infrastructure across its network.

STRATEGIES

Station Retail

During the year, attractive marketing promotions designed for the MTR Mobile app and MTR Points loyalty programme once again helped drive traffic to station retail outlets. Regular reviews of our tenant mix helped drive rental revenue by ensuring that our retail offerings are up to date.

Advertising

To drive sales in a still-conservative market, MTR continued to launch competitive packages while also devising innovative, targeted solutions for marketers.

Telecommunications

The Company progressed its plans for a new commercial telecom network that can support more 5G services and faster mobile communications for customers.

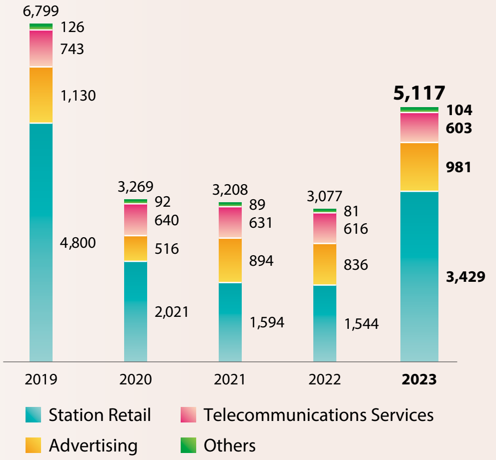
OUTLOOK

Despite Hong Kong's general progress towards economic recovery following the lifting of anti-pandemic measures in late 2022 and early 2023, the local retail sector still has a way to go before returning to pre-COVID times. At MTR, we continue to face certain challenges in our station retail business, primarily in regard to negative rental reversions on renewed rentals and new lets. The reopening of cross-boundary links enabled the welcome return of our Duty Free business, which began generating rental revenue for the first time since the pandemic began. However, the performance of our Duty Free business will be affected by current contracts that were renewed in adverse market conditions, and it will also be dependent on patronage and turnover levels. The advertising market is starting to turn the corner, but this business remains highly susceptible to changes in the economic environment and their effects on consumer sentiment and spending.

In the near term, we will continue to review the terms of our leases to ensure that the Company optimises its rental revenue while also helping tenants get back on their feet. We will keep assessing and optimising our retail mix to continue providing offerings that are on trend and in demand with customers, and we will support our station retail shops and their businesses with effective marketing promotions delivered via our popular MTR Mobile app and MTR Points loyalty programme. Meanwhile, our emphasis on digital technologies will play a key role as always in the development of our advertising and telecommunications offerings.

Revenue from Hong Kong Station Commercial Businesses

(HK$ million)



Total revenue from Hong Kong station commercial activities increased by 66.3% to HK$5,117 million in 2023. This was mainly due to rental revenue derived from our Duty Free business following the reopening of cross-boundary stations in early 2023.

STATION RETAIL

In 2023, our station retail activities saw revenue increase by 122.1% to HK$3,429 million on the back of rental revenue from the Duty Free business, which resumed after cross-boundary stations were reopened in early 2023. The increase in station retail rental revenue was partially offset by negative rental reversions. During the year, we reviewed our tenant mix and introduced pop-up stores to drive rental revenue and optimise retail offerings. Rental reversion and average occupancy rates for our station kiosks were -6.9% and 97.3%, respectively.

In 2023, we rolled out a variety of promotions via our MTR Mobile app, MTR Points loyalty scheme and Stamp Reward programme. In April, we partnered with the Octopus App for the "Grab Coupon" promotion, distributing electronic shopping coupons for MTR Shops to passengers during the latest round of Government's Consumption Voucher Scheme. In December, supporting Government's efforts to stimulate local spending, we launched a new Grab Coupon event and big spender shopping reward programme. We also launched "Discover the Delights of Your Journey", a thematic campaign featuring a local celebrity designed to increase brand awareness of MTR Shops.

In December 2023, we introduced the "MTR Shops Plastic Reduction Campaign" to help decrease the use of disposable plastic tableware among takeaway food and beverage tenants at stations. The campaign encourages food and beverage shops to sign the "Environmental Protection Pledge", and it also includes the "Hong Kong Station Reusable Container Scheme", which conveniently

lets members of the public borrow and return reusable food containers at automatic machines installed in Hong Kong Station.

As at 31 December 2023, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 31% will expire in 2024, 33% in 2025, 26% in 2026, and 10% in 2027 and beyond.

In terms of trade mix, food and beverage accounted for approximately 45% of the leased area of our station kiosks (excluding Duty Free shops), followed by cake shops at 13%, convenience stores at 12%, passenger services at 12% and others at 18% as at 31 December 2023.

As at 31 December 2023, there were 1,569 station shops occupying 70,503 square metres of retail space, representing net increases of one shop and 1,838 square metres of lettable space, respectively, when compared with 31 December 2022. This was mainly due to the opening of new shops at Tung Chung, Lo Wu and Hong Kong West Kowloon stations.

As at 31 December 2023, 11 shops were being let at nominal rates under our "NGO & Social Enterprise Support Programme".

ADVERTISING

Revenue from advertising increased by 17.3% to HK$981 million in 2023. This was mainly due to Hong Kong's full reopening at the beginning of the year, which resulted in increased tourism from Mainland China and higher advertising spend at cross-boundary stations.

As at 31 December 2023, the number of advertising units in stations and trains had decreased to 42,484, primarily because of reduced in-train advertising card space in the new Q-trains as well as the revamp of advertising panels. As part of our commitment to driving growth through technology and innovation, we debuted our first L-shaped LED Panel with 3D effects at Shatin Station as well as 3-D advertising displays with hologram fans and LED screens at Admiralty and Hong Kong stations. We also launched three new digital zones at Hong Kong, Diamond Hill and Central stations and a new digital network along the Kwun Tong Line. Meanwhile, we continued to devise competitive solutions to meet market demand and increase market share, including flexible display options, dynamic content, and innovative and audience-targeting offerings for advertisers.

In 2023, MTR provided free advertising space to 79 non-profit organisations.

TELECOMMUNICATIONS

In 2023, MTR's revenue from telecommunications decreased by 2.1% to HK$603 million. As at 31 December 2023, our 5G services had been introduced at 79 stations. In July, we awarded the tender for a new commercial system at 24 stations that can support more 5G services and provide even faster data throughput. Meanwhile, around 80% of the capacity at our data centre in Tseung Kwan O has been reserved as at 31 December 2023. We continue to seek opportunities for additional data centres elsewhere.

HONG KONG PROPERTY BUSINESSES

14 Projects to Supply Approximately
14,000
Residential Units to the Market

16
Shopping Malls in Our Portfolio

Managing Over
121,000
Residential Units

AIM

Through its property business, MTR seeks to develop, manage and rent quality residential and commercial projects along its railway network, creating thriving, integrated communities while generating revenue and shareholder value.

CHALLENGES

Property Rental

Negative rental reversions continued as the economy, retail environment and tourism remained in the recovery stage following the pandemic.

Property Management

Our property management services continued to face challenges related to statutory changes in licensing, safety and maintenance.

Property Development

An uncertain economic outlook and high interest rates affected market sentiment during the year under review.

STRATEGIES

Property Rental

MTR continued to design marketing and promotional campaigns aimed at driving mall traffic and encouraging spending. The Company reviewed its retail mix throughout the year to ensure that its portfolio was on-trend and in line with customer demand.

Property Management

We strove to maintain world-class property management standards, implemented a host of green initiatives to meet the Company's environmental and sustainability objectives, and continually assessed our operational efficiency for prudent cost management.

Property Development

We continued our efforts to drive unit sales and seek new development opportunities along MTR's existing and future railway lines. We also continued to prioritise the delivery of quality projects, both on time and within budget.

OUTLOOK

Following the lifting of anti-pandemic measures and the reopenings of international travel and cross-boundary links, mall traffic and retail spending are still gradually recovering. To drive footfall, we will continue to launch tactical marketing promotions as well as digital campaigns via our MTR Mobile app and MTR Points loyalty programme. We will also keep assessing our tenant profile to ensure it meets the expectations of consumers.

For property tendering, we are closely monitoring market conditions and reviewing our programme for the tendering of property development projects as appropriate. In the next 12 months or so, we expect to re-tender Tung Chung East Station Package 1 while the Oyster Bay project is undergoing advance works, and we continue to target intake of the first batch of residents in 2030. Applications for pre-sale consent are underway for LOHAS Park Package 13 and the Yau Tong Ventilation Building. Subject to the progress of construction and sales, we expect to book property development profit from La Montagne (THE SOUTHSIDE Package 4), THE SOUTHSIDE Package 5, Ho Man Tin Station Package 1 and IN ONE (Ho Man Tin Station Package 2), and to continue booking profit from Villa Garda (LOHAS Park Package 11) in 2024.

PROPERTY RENTAL

In 2023, property rental revenue increased by 6.0% year on year to HK$4,795 million. This was primarily due to having lower amortisation of rental concessions charged to the statement of profit or loss as well as additional contributions following the opening of our two new shopping malls, The Wai in July 2023 and THE SOUTHSIDE in December 2023. Revenue gains were partially offset by negative rental reversions.

For the year, MTR shopping malls recorded a rental reversion of -8.4%, and the average occupancy rate was 99%. The average occupancy rate for the Company's 18 floors in Two International Finance Centre was 96%.

As at 31 December 2023, the lease expiry profile of our shopping malls by area occupied was such that approximately 30% will expire in 2024, 22% in 2025, 31% in 2026, and 17% in 2027 and beyond.

In terms of trade mix, as at 31 December 2023, food and beverage accounted for approximately 30% of the leased area of our shopping malls, followed by services at 21%, fashion, beauty and accessories at 21%, leisure and entertainment at 19%, and department stores and supermarkets at 9%.

As at year-end, the Company's attributable share of investment properties in Hong Kong was 316,342 square metres of lettable floor area for retail properties, 39,451 square metres of lettable floor area for offices and 19,206 square metres of property for other use.

To drive traffic to MTR Malls and help tenants' businesses recover after the pandemic, we held a number of promotional events, campaigns and tactical marketing initiatives throughout the year. These included the "Happy Music Festival", a series of music performances and themed events designed to support Government's "Happy Hong Kong" campaign; the "Happy Together" Click & Grab Coupon campaign, where we gave away shopping vouchers worth a total of more than HK$20 million; and an MTR Mobile "instant win" lucky draw promotion in June and July that included vouchers for MTR Malls as prizes. We also continued to launch promotional campaigns in partnership with tenants while promoting our popular MTR Points loyalty programme.

In July 2023, we held the soft opening of our new shopping mall The Wai. Located at Tai Wai Station, The Wai hosts approximately 150 merchants providing dining, entertainment and other services for the community. The Wai also offers more than 50,000 square feet of outdoor green recreational space, the largest indoor bicycle parking lot in Hong Kong and art displays.

Investment Property Portfolio in Hong Kong (as at 31 December 2023)

Location	Type	Lettable floor area *(sq. m)*	No. of parking spaces	Company's economic interest
Telford Plaza I, Kowloon Bay, Kowloon	Shopping Centre Car Park	39,331 –	– 993	100% 100%
Telford Plaza II 7 – 8/F, Kowloon Bay, Kowloon	Shopping Centre	2,397	–	100%
Telford Plaza II 3 – 6/F, Kowloon Bay, Kowloon	Shopping Centre Car Park	18,253 –	– 136	100% 100%
Luk Yeung Galleria, Tsuen Wan, New Territories	Shopping Centre Car Park	11,143 –	– 651	100% 100%
Paradise Mall, Heng Fa Chuen, Hong Kong	Shopping Centre Wet Market Kindergarten Car Park	15,484 1,216 2,497 –	– – – 415	100% 100% 100% 100%
Maritime Square 1, Tsing Yi	Shopping Centre Kindergarten Car Park Motorcycle Park	28,597 920 – –	– – 220 50	100% 100% 100% 100%
Maritime Square 2, Tsing Yi	Shopping Centre Car Park Motorcycle Park	6,448 – –	– 65 21	100% 100% 100%
The Lane, Hang Hau	Shopping Centre Car Park Motorcycle Park	2,629 – –	– 16 1	100% 100% 100%
PopCorn 2, Tseung Kwan O	Shopping Centre Car Park	8,456 –	– 50	100% 100%
PopCorn 1, Tseung Kwan O	Shopping Centre Car Park Motorcycle Park	12,174 – –	– 115 16	50% 50% 50%
G/F, No. 308 Nathan Road, Kowloon	Shop Unit	70	–	100%
G/F, No. 783 Nathan Road, Kowloon	Shop Unit	36	–	100%
New Kwai Fong Gardens, Kwai Chung, New Territories	Kindergarten Car Park	540 –	– 126	100% 100%
International Finance Centre ("ifc"), Central, Hong Kong – Two ifc – One and Two ifc	 Office Car Park	 39,451 –	 – 1,308	 100% 51%
Phase I, Carpark Building, Kornhill, Quarry Bay, Hong Kong	Car Park	–	292	100%
Roof Advertising Signboard, Admiralty Centre, No. 18 Harcourt Road, Hong Kong	Advertising Signboard	–	–	100%
Ten Shop Units, First Floor Podium, Admiralty Centre, No. 18 Harcourt Road, Hong Kong	Shop Unit	286	–	50%
Olympian City One, Tai Kok Tsui, Kowloon	Indoor Sports Hall	13,512	–	100%
Olympian City Two, Tai Kok Tsui, Kowloon	Shop Unit	1,096	–	100%
Choi Hung Park & Ride Public Car Park, No. 8 Clear Water Bay Road, Choi Hung, Kowloon	Car Park Motorcycle Park Park & Ride	– – –	54 10 450	100% 100% 100%
Elements, No. 1 Austin Road West, Kowloon	Shopping Centre Car Park	45,510 –	– 898	81% 81%
Cross Border Coach Terminus, No. 1 Austin Road West, Kowloon	Coach Terminus	5,113	–	100%
Kindergarten, No. 1 Austin Road West, Kowloon	Kindergarten	1,045	–	81%
Plaza Ascot, Fo Tan	Shopping Centre Car Park	7,720 –	– 67	100% 100%
Royal Ascot, Fo Tan	Residential Car Park	2,356 –	– 20	100% 100%
Ocean Walk, Tuen Mun	Shopping Centre Car Park	6,192 –	– 32	100% 100%
Sun Tuen Mun Shopping Centre, Tuen Mun	Shopping Centre Car Park	9,022 –	– 421	100% 100%
Hanford Plaza, Tuen Mun	Shopping Centre Car Park	1,924 –	– 22	100% 100%
Retail Floor and 1 – 6/F, Citylink Plaza, Shatin	Shopping Centre	12,154	–	100%
The Capitol, LOHAS Park, Tseung Kwan O	Shop Unit Residential Care Home for the Elderly	391 2,571	– –	100% 100%

Investment Property Portfolio in Hong Kong (as at 31 December 2023) *(continued)*

Location	Type	Lettable floor area *(sq. m)*	No. of parking spaces	Company's economic interest
Le Prestige, LOHAS Park, Tseung Kwan O	Kindergarten Car Park	800 –	– 2	100% 100%
The Riverpark, No. 8 Che Kung Miu Road, Shatin	Shop Unit Kindergarten Car Park	154 708 –	– – 5	100% 100% 100%
Hemera, LOHAS Park, Tseung Kwan O	Kindergarten	985	–	100%
The LOHAS, Tseung Kwan O	Shopping Centre Kindergarten Car Park Motorcycle Park	27,804 1,141 – –	– – 333 33	100% 100% 100% 100%
MONTARA, LOHAS Park, Tseung Kwan O	Car Park	–	162	100%
SEA TO SKY, LOHAS Park, Tseung Kwan O	Car Park	–	52	100%
MARINI, LOHAS Park, Tseung Kwan O	Kindergarten Car Park	729 –	– 103	100% 100%
The Wai, No. 18 Che Kung Miu Road, Shatin	Shopping Centre Car Park Motorcycle Park	33,325 – –	– 390 39	100% 100% 100%
THE SOUTHSIDE, Wong Chuk Hang	Shopping Centre Car Park Motorcycle Park	25,944 – –	– 235 12	100% 100% 100%

All properties are held by the Company and its subsidiaries under Government Leases for over 50 years except for:

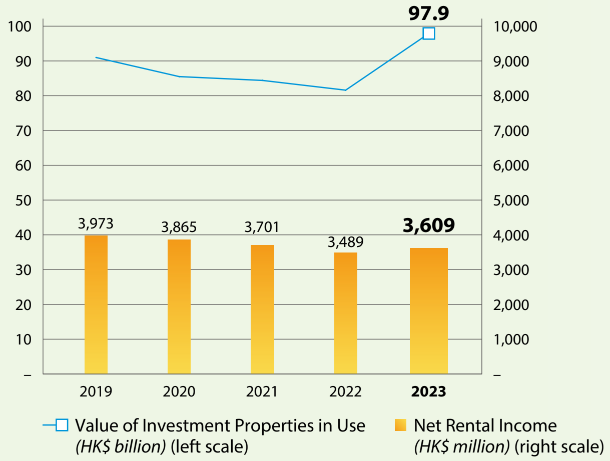
- *Telford Plaza I and II, Luk Yeung Galleria, Maritime Square 1 and 2, New Kwai Fong Gardens, ifc, Olympian City, Elements, the Cross Border Coach Terminus and Kindergarten at No. 1 Austin Road West, Plaza Ascot, Royal Ascot, Ocean Walk, Sun Tuen Mun Shopping Centre and Hanford Plaza, where the Government Leases expire on 30 June 2047*
- *Choi Hung Park & Ride where the Government Lease expires on 11 November 2051*
- *The Lane where the Government Lease expires on 21 October 2052*
- *PopCorn 2 where the Government Lease expires on 27 March 2052*
- *LOHAS Park where the Government Lease expires on 15 May 2052*
- *Citylink Plaza where the Government Lease expires on 1 December 2057*
- *The Shop Units and Kindergarten of The Riverpark where the Government Lease expires on 21 July 2058*

Properties Held for Sale (as at 31 December 2023)

Location	Type	Gross floor area *(sq. m.)*	No. of parking spaces	Company's economic interest
Olympian City One, No. 11 Hoi Fai Road, Kowloon	Shopping Centre Car Park	6,026* –	– 330	40% 40%
Bank of China Centre, No. 11 Hoi Fai Road, Kowloon	Car Park	–	117	40%
The Arch, No. 1 Austin Road West, Kowloon	Residential Car Park	420** –	– 12	1% 1%
Harbour Green, No. 8 Sham Mong Road, Kowloon	Kindergarten	1,299	–	50%
Residence Oasis, No. 15 Pui Shing Road, Hang Hau, Tseung Kwan O	Motorcycle Park	–	4	71%
The Grandiose, No. 9 Tong Chun Street, Tseung Kwan O	Motorcycle Park	–	24	70%
Wings at Sea and Wings at Sea II, LOHAS Park, Tseung Kwan O	Residential Car Park	700** –	– 95	20.1% 20.1%
MALIBU, LOHAS Park, Tseung Kwan O	Residential Car Park	– –	– 27	47% 47%
LP6, LOHAS Park, Tseung Kwan O	Residential Car Park Motorcycle Park	– – –	– 180 –	63.3% 63.3% 63.3%
MARINI, GRAND MARINI and OCEAN MARINI, LOHAS Park, Tseung Kwan O	Residential	150**	–	38%
LP10, LOHAS Park, Tseung Kwan O	Residential Car Park Motorcycle Park	12,519** – –	– 84 –	20% 20% 20%
The Palazzo, No. 28 Lok King Street, Shatin	Retail Car Park Motorcycle Park	2,000 – –	– 9 5	55% 55% 55%
Festival City, No. 1 Mei Tin Road, Shatin	Car Park	–	69	100%
Lake Silver, No. 599 Sai Sha Road, Shatin	Car Park	–	2	92.88%
The Riverpark, No. 8 Che Kung Miu Road, Shatin	Car Park	–	2	87%
THE PAVILIA FARM I, No. 18 Che Kung Miu Road, Shatin	Residential Car Park Motorcycle Park	925** – –	– 85 15	68.3% 68.3% 68.3%
THE PAVILIA FARM II, No. 18 Che Kung Miu Road, Shatin	Residential Car Park Motorcycle Park	765** – –	– 206 24	68.3% 68.3% 68.3%

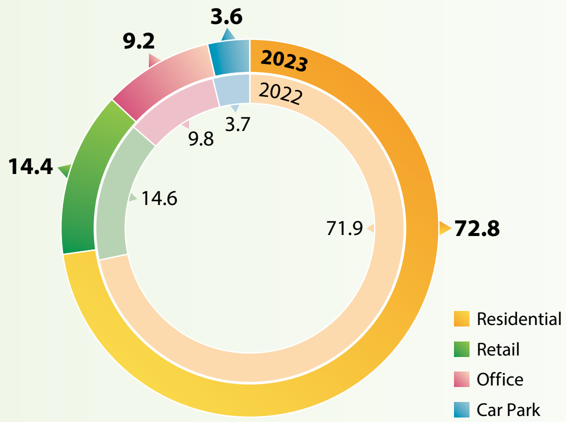
* *Lettable floor area*
** *Saleable area*

Investment Properties in Hong Kong



Distribution of Hong Kong Property Management Income

(Percentage)



THE SOUTHSIDE, our new lifestyle mall at Wong Chuk Hang, held the first phase of its soft opening in December 2023. About 30 merchants, occupying approximately 20% of the mall's total floor area and concentrated on one of its five retail floors, opened during this first phase. In 2023, a fair value measurement gain of HK$1,360 million was recognised from the initial booking of THE SOUTHSIDE shopping mall.

In 2023, we continued to introduce new initiatives and features at our commercial properties to reduce our carbon footprint, reduce waste and improve our overall performance in sustainability. Further information about our environmental efforts can be found in the Environmental & Social Responsibility of this Annual Report and our Sustainability Report 2023.

PROPERTY MANAGEMENT

Property management revenue in Hong Kong increased by 11.8% to HK$284 million compared to 2022. As at 31 December 2023, MTR managed more than 121,000 residential units and over 920,000 square metres of office and commercial space in Hong Kong.

PROPERTY DEVELOPMENT

Hong Kong property development profit (post-tax) for 2023 was HK$2,035 million, which was primarily derived from initial profit recognition from Villa Garda (LOHAS Park Package 11) and residual profits from various completed projects.

Pre-sales and Sales Activities

In the face of an uncertain economic outlook and the interest rate hike, the Company's property development business performed modestly in 2023.

As at 31 December 2023, SOUTHLAND (THE SOUTHSIDE Package 1) and La Marina (THE SOUTHSIDE Package 2) were 79% and 89% sold, respectively. Pre-sale activities continued for Villa Garda I, II and III (LOHAS Park Package 11), with 79%, 24% and 26% of units sold, respectively, as at 31 December 2023.

Pre-sales for IN ONE (Ho Man Tin Station Package 2) Phases IA, IB and IC were launched in May, March and April, respectively; these developments were 17%, 98% and 85% sold as at 31 December 2023. Pre-sales for La Montagne (THE SOUTHSIDE Package 4) Phase 4A

were launched in July; the development was 12% sold as at 31 December 2023. Pre-sales for YOHO WEST (Tin Wing Stop Phase 1) were launched in November, with 78% of units sold as at 31 December 2023. Pre-sale consents were obtained for LOHAS Park Package 12 (Phases 12A and 12B) in August 2023, Ho Man Tin Station Package 1 (Phases IIA and IIB) in November 2023, THE SOUTHSIDE Package 3 (Phases 3B and 3C) in December 2023 and LOHAS Park Package 12 (Phase 12C) in January 2024.

For West Rail properties, where we act as agent for relevant subsidiaries of the Kowloon-Canton Railway Corporation, sales activities continued for the Cullinan West Development (Nam Cheong Station). As at 31 December 2023, The YOHO Hub Phase 1 (Yuen Long Station) was 43% sold; pre-sale consent has also been obtained for Phase 2. Pre-sales for GRAND MAYFAIR I and II (Kam Sheung Road Station Package 1) continued, with 99% and 82% of units sold as at 31 December 2023, respectively; meanwhile, pre-sale consent has also been obtained for GRAND MAYFAIR III.

Property Tendering

We received no tender submissions for Tung Chung East Station Package 1 in November 2023. For Oyster Bay Package 1, we decided not to accept any of the three tender submissions received in February 2023 as none met our minimum requirements. We are closely monitoring market conditions and will review our programme for the tendering of property development projects as appropriate. Meanwhile, the Company will continue exploring development opportunities along its railway lines and tender out projects in accordance with plans.

Future Development

As at 31 December 2023, the Company had 14 residential property projects under development, which are expected to provide approximately 14,000 units to the market in the short to medium term.

Oyster Bay, adjacent to the future Oyster Bay Station, will be developed in phases and provide about 10,720 private residential units. The intake for the first batch of residents is expected in 2030 subject to the awarding of the tender, which is dependent on market conditions.

In line with our rail-plus-property business model to drive shareholder value while building and enhancing communities throughout Hong Kong, we will continue to explore the development potential of stations and associated railway facilities along our existing and future railway lines, such as the Northern Link. For the Tuen Mun South Extension, the site at Area 16 was rezoned for mixed-use development in May 2023. For Kwu Tung Station on the East Rail Line, property development sites are now going through the Government land resumption process.

The Company welcomed the Chief Executive's 2023 Policy Address and has been invited to conduct a preliminary study on re-planning and developing the land covering Hung Hom Station and the railway facility sites in the vicinity as well as the waterfront and pier facility sites to the south of Hong Kong Coliseum to unlock the area's commercial and residential development potential, create a vibrant harbourfront, and improve pedestrian connectivity. At Government's invitation, we are also studying the development potential of the land around the proposed Pak Shek Kok Station.

Property Development Packages Completed during the year and awarded

Location	Developers	Type	Gross floor area *(sq. m.)*	Tender award date	Expected completion date
Ho Man Tin Station					
Package 1	Great Eagle Group	Residential	69,000	December 2016	By phases in 2024
IN ONE	Chinachem Group	Residential	59,400	October 2018	By phases in 2024
LOHAS Park Station					
Villa Garda	Sino Land Company Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	88,858	April 2019	By phases in 2024
Package 12	Wheelock and Company Limited	Residential	89,290	February 2020	2026
Package 13	Sino Land Company Limited, Kerry Properties Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	143,694	October 2020	2026
Tai Wai Station					
THE PAVILIA FARM	New World Development Company Limited	Residential	190,480	October 2014	Phase I and II completed in 2022 Phase III to be confirmed
		Retail	60,620*		Completed in 2022
Tin Wing Stop					
Tin Wing	Sun Hung Kai Properties Limited	Residential Retail	91,051 205	February 2015	By phases from 2024 to 2025
Wong Chuk Hang Station (THE SOUTHSIDE)					
Package 3	CK Asset Holdings Limited	Residential Retail	92,900 47,000	August 2018	2025 Completed in 2023
La Montagne	Kerry Properties Limited, Swire Properties Limited and Sino Land Company Limited	Residential	59,300	October 2019	By phases in 2024
Package 5	New World Development Company Limited, Empire Development Hong Kong (BVI) Limited, CSI Properties Limited and Lai Sun Development Company Limited	Residential	59,100	January 2021	2026
Package 6	Wheelock Properties Limited	Residential	46,800	April 2021	2028
Yau Tong Ventilation Building					
Yau Tong Ventilation Building	Sino Land Company Limited and CSI Properties Limited	Residential	30,225	May 2018	2026
Pak Shing Kok Ventilation Building					
Pak Shing Kok Ventilation Building	New World Development Company Limited and China Merchants Land Limited	Residential	27,006	April 2022	2031
Tung Chung Traction Substation					
Tung Chung Traction Substation	Chinachem Group	Residential	87,288	July 2022	2031
Kam Sheung Road Station#					
GRAND MAYFAIR	Sino Land Company Limited, China Overseas Land & Investment Limited and K. Wah International Holdings Limited	Residential	114,896	May 2017	By phases from 2024 to 2025
Yuen Long Station#					
The YOHO Hub	Sun Hung Kai Properties Limited	Residential Retail	126,455 11,535^	August 2015	By phases from 2022 to 2023

\# *as a development agent for the relevant subsidiaries of KCRC*
* *excluding a bicycle park with cycle track*
^ *including a 24-hour pedestrian walkway and a covered landscape plaza*

Property Development Packages to be Awarded[1]

Location	Type	Gross floor area *(sq. m.)*	Period of package tenders	Expected completion date
Oyster Bay	Residential Retail Kindergarten	826,000 30,000 4,500	2024 – 2036	2030 – 2042
Tung Chung East Station[2]	Mixed-use Development	628,400	2024 – 2026	2030 – 2034
Tuen Mun A16 Station[2]	Mixed-use Development	397,700	To be confirmed	To be confirmed
Kwu Tung Station[2]	Mixed-use Development	303,300	To be confirmed	To be confirmed

Notes:

1 *Property development packages for which we are acting as development agent for the relevant subsidiaries of KCRC are not included.*

2 *These property development packages are subject to review in accordance with land grant conditions and completion of statutory processes.*

West Rail Property Development Plan

The Company acts as development agent for the West Rail property projects.

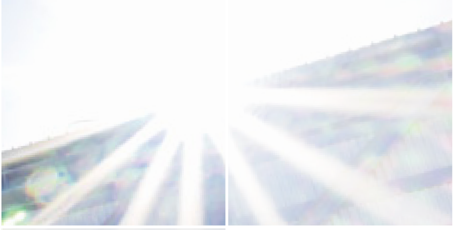
Station/Site	Site Area *(hectares)*	Actual/Expected tender award date	Actual/Expected completion date
Property Development Packages Awarded			
Tuen Mun	2.65	August 2006	By phases from 2012 – 2014
Tsuen Wan West (TW7)	2.37	September 2008	2014
Nam Cheong	6.18	October 2011	By phases from 2017 – 2019
Long Ping (North)	0.99	October 2012	2017
Tsuen Wan West (TW5) Cityside	1.34	January 2012	2018
Tsuen Wan West (TW5) Bayside	4.29	August 2012	2018
Tsuen Wan West (TW6)	1.38	January 2013	2018
Long Ping (South)	0.84	June 2013	2019
Yuen Long	3.91	August 2015	By phases from 2022 – 2023
Kam Sheung Road Package 1	4.17	May 2017	By phases from 2024 – 2025
	28.12		
Property Development Packages to be Awarded			
Kam Sheung Road Package 2	About 5.17	2024 – 2025	2031 – 2032
Pat Heung Maintenance Centre	About 23.56	Under review	Under review
	28.73		
Total	**56.85**		

HONG KONG NETWORK EXPANSION

Construction Commenced for
Tung Chung Line Extension, Tuen Mun South Extension, Kwu Tung Station on the East Rail Line and Oyster Bay Station

Schemes for
Northern Link Main Line
and
Hung Shui Kiu Station
were gazetted

Continued to progress projects under
RDS 2014
and strategic railway projects recommended under the
Blueprint



AIM

We strive to design and construct new railway projects that provide safe, reliable, affordable, accessible and low-carbon mass transit services for passengers, support the economic development of local communities, and ensure the future success of our "Hong Kong Core" strategic growth pillar.

CHALLENGES

The Company is working assiduously to progress a number of important projects under Railway Development Strategy 2014 ("RDS 2014") and other Government strategic railway initiatives under the "Hong Kong Major Transport Infrastructure Development Blueprint" ("the Blueprint").

Apart from challenges related to the availability of sufficient labour in Hong Kong's construction sector, each of our new railway projects has its own technical difficulties and challenges to be addressed, including works needing to be carried out at night during non-traffic hours.

STRATEGIES

We are committed to "Go Beyond Boundaries" in our efforts to deliver world-class railway networks that support the current and future needs of our communities, adopting the latest technologies and integrating innovative and green initiatives while meeting or exceeding globally established standards for project design, construction and management.

OUTLOOK

We are now in the midst of an exciting new era for railway development in Hong Kong. Construction has begun on the Tung Chung Line Extension, Tuen Mun South Extension and Kwu Tung Station on the East Rail Line, all of which are important projects under RDS 2014. We anticipate that additional railway infrastructure projects will soon reach advanced stages as Government and MTR work together to explore many of the other initiatives planned under RDS 2014 and the Blueprint to connect communities and strengthen links with the Greater Bay Area.

In 2023, we signed project agreements for the Tung Chung Line Extension, Tuen Mun South Extension and Kwu Tung Station on the East Rail Line, and we broke ground on a number of exciting RDS 2014 initiatives for expanding and enhancing Hong Kong's railway network. We also continued to advance projects highlighted in the Chief Executive's 2023 Policy Address as well as strategic railway projects recommended under the Blueprint.

During the first half of 2023, we also completed the periodic review of our Operating Agreement with Government. In addition to reviewing a number of performance requirements, we also reviewed the provisions relating to the land premium arrangements for future projects in light, in particular, of the revised arrangements which were agreed for the Oyster Bay and Tung Chung Line Extension projects, for which the land premium was to be assessed on a full market value basis (i.e., on a with-railway basis rather than ignoring the presence of the railway), with certain agreed amounts deducted. The revised Operating Agreement provides that, going forward, the same approach will be adopted (unless otherwise agreed by the Company and Government) having regard to the acknowledgements contained in the Operating Agreement that the Company will continue to require an appropriate commercial rate of return when undertaking new projects.

PROJECTS IN PROGRESS

Tung Chung Line Extension

In February 2023, MTR signed the project agreement with Government for the financing, design, construction, operation and maintenance of the Tung Chung Line Extension, a major part of the RDS 2014 plan for the city's future railway transport infrastructure. Once finished, the Tung Chung Line Extension will serve new towns in the Tung Chung East new reclamation area and Tung Chung West, enhancing connectivity in Lantau North and supporting sustainable long-term population and economic growth. The project is being funded by the financial contribution from the "Rail plus Property" development model and the Company's internal resources.

A ground-breaking ceremony was held in May 2023, and two major civil works contracts have since been awarded. It is expected that the construction of the Tung Chung Line Extension will be completed in 2029. The Company will also undertake the construction of the Airport Railway Extended Overrun Tunnel ("ARO"). Construction of the ARO is targeted to commence in 2025 for completion in 2032.

Tuen Mun South Extension

In September 2023, the Company signed the project agreement with Government for the financing, design, construction, operation and maintenance of the Tuen Mun South Extension. The project involves extending the Tuen Ma Line southward by approximately 2.4 km from Tuen Mun Station by way of a viaduct as well as the construction of two new stations, including an intermediate station at Area 16 and a new terminal station at Tuen Mun South near the Tuen Mun Ferry Terminal. A kick-off event was held in October 2023, and construction is targeted for completion in 2030. The project will be funded by the financial contributions from the "Rail plus Property" development model and the Company's internal resources.

	Number of Stations	Route Length (km)	Project Funding	Construction Commencement Year	Targeted Completion Year
Tung Chung Line Extension	2 (Tung Chung East Station and Tung Chung West Station)	About 2.5 km	Rail plus Property	2023	2029
Tuen Mun South Extension	2 (A16 Station and Tuen Mun South Station)	About 2.4 km	Rail plus Property	2023	2030
Kwu Tung Station on the East Rail Line	1	–	Rail plus Property	2023	2027
Oyster Bay Station	1	–	Rail plus Property	2023	2030

Kwu Tung Station on the East Rail Line

In September 2023, the Company also signed the project agreement with Government for the financing, design, construction, operation and maintenance of Kwu Tung Station on the East Rail Line, a new station that will be situated in the town centre of the future Kwu Tung North New Development Area between Lok Ma Chau and Sheung Shui stations on the East Rail Line. A ground-breaking ceremony was held in September, and construction is expected to be completed in 2027. Upon its commissioning, Kwu Tung Station will be the 100th station in the MTR network. The project will be funded by the financial contributions from the "Rail plus Property" development model and the Company's internal resources.

Oyster Bay Station

In September 2022, MTR entered into a project agreement with Government for the financing, design, construction, operation and maintenance of a new Oyster Bay Station located at Siu Ho Wan between Sunny Bay and Tung Chung stations. Construction began in December 2023 and is expected to be completed in 2030. Oyster Bay Station is expected to greatly enhance connectivity in Lantau North while also catering to the future population of Oyster Bay.

OTHER NEW RAILWAY PROJECTS UNDER RDS 2014

In 2023, MTR also took forward several other important RDS 2014 projects. In October, the Northern Link Main Line railway scheme was gazetted under the Railways Ordinance. We are now supporting and fulfilling pre-construction statutory procedures with the target of commencing construction in 2025 for project completion in 2034. In parallel, we are working with Government to bring forward the Northern Link Spur Line project to the detailed planning and design stage. The railway scheme for Hung Shui Kiu Station was gazetted in February 2023. We are currently developing detailed planning and design for the new station, which is to be located on the Tuen Ma Line between Tin Shui Wai and Siu Hong stations.

It is important to note that the Company is still in various stages of discussion with Government and has yet to enter into project agreements for the Northern Link and Hung Shui Kiu Station projects. Government has announced its intention to proceed with MTR on these projects using the ownership approach. Different funding models, including the "Rail plus Property" development model, may be deployed to ensure commercial returns on the Company's investments.

Elsewhere, we will closely monitor the progress of the South Island Line (West) project featured in the Blueprint and provide full support as required. As mentioned in the Blueprint, Government anticipates that, up to 2046, there is no imminent need to take forward the North Island Line. We continue to work with Government on challenges pertaining to this line.

BUILDING THE FUTURE HONG KONG RAILWAY NETWORK

MTR welcomed the Chief Executive's 2023 Policy Address and announcement of the publication of the Blueprint, which proposes the further extension of Hong Kong's railway network as well as accelerated long-term land development. The enhanced "Three Railways" proposal includes the provision of three intermediate stations along the Central Rail Link for transiting to the Tsuen Wan Line, located in Northeast Tsuen Wan, Northeast Kwai Chung and the Tsuen King Circuit; the Tseung Kwan O Line Southern Extension and Hong Kong – Shenzhen Western Rail Link linking Hung Shui Kiu and Qianhai in Shenzhen; and two new railway projects, the Northern Link Eastern Extension and Northeast New Territories Line connecting Heung Yuen Wai to Fanling Station on the East Rail Line. The Company is also conducting research on construction works for the proposed new Pak Shek Kok Station on the East Rail Line while closely monitoring the progress of the proposed implementation of smart and green mass transit in areas such as East Kowloon, Kai Tak, Hung Shui Kiu and Ha Tsuen as mentioned in the Policy Address, providing full support as required.

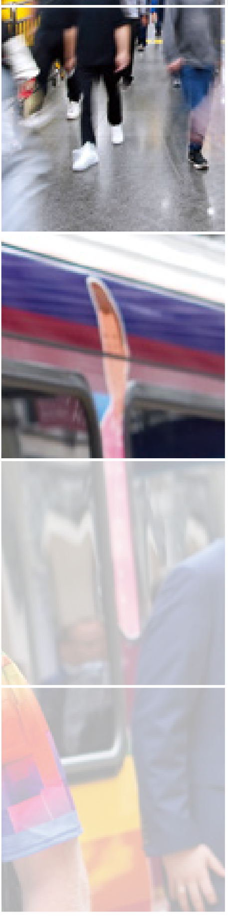
As always, MTR will proactively leverage its expertise in railway development and operations to support the sustainable development of Hong Kong as well as Government's strategy of using railways as the backbone of the public transport system.

MAINLAND CHINA AND INTERNATIONAL BUSINESSES

12
Railway Services
in 4 Countries in 2023

2.37 billion
Total Patronage
Outside of Hong Kong

3,339 km
Operating Route Length
Outside of Hong Kong

AIM

MTR's Mainland China and international businesses enable the Company to bring its expertise in safe, reliable, low-carbon rail transit to major markets outside Hong Kong – thus providing diversified revenue streams, supporting a key growth pillar and promoting the MTR brand internationally.

CHALLENGES

During the year, the Company continued to face challenges related to the varying investment models in its Mainland China and international markets. Increased competition and external issues also affected financial performance.

STRATEGIES

To further grow our business outside Hong Kong, we continued pursuing new transit-oriented development ("TOD") opportunities as well as asset replacement, maintenance, and public-private partnership ("PPP") infrastructure development opportunities in Mainland China, the Greater Bay Area and internationally. As always, the Company strove to fulfil its existing contracts around the world with impeccable service delivery.

OUTLOOK

With the lifting of pandemic-related measures and restrictions, patronage for our services in Mainland China, Europe and Australia is expected to continue improving. However, the extent to which this benefits us remains largely dependent on the specific business contracts where we are operating. Meanwhile, we will continue to seek TOD and PPP opportunities outside of Hong Kong that can generate and diversify revenue while helping us build the MTR brand internationally.

MTR builds, operates and maintains world-class railway networks in Mainland China, Macao, Europe and Australia. In 2023, the Company and its subsidiaries, associates and joint ventures served a total of approximately 2.37 billion passengers, averaging approximately 7.2 million per weekday outside of Hong Kong. The Company is also engaged in the development and rental of residential and commercial properties in Mainland China.

RAILWAY BUSINESSES IN MAINLAND CHINA

Beijing

In Beijing, our associate operates Beijing Metro Line 4 ("BJL4"), the Daxing Line, Beijing Metro Line 14 ("BJL14"), Beijing Metro Line 16 ("BJL16"), and the Southern and Northern Sections of Beijing Metro Line 17 ("BJL17"). The average on-time performance of these lines in 2023 was 99.9%, and all achieved stable operations during the year. Patronage increased compared to 2022 as the pandemic subsided.

Beijing Metro Line 4 and the Daxing Line

BJL4 and the Daxing Line together recorded approximately 336 million passenger trips and average weekday patronage of 998,000, representing year-on-year increases of 58% and 48%, respectively.

Beijing Metro Line 14

BJL14 recorded approximately 254 million passenger trips and average weekday patronage of 797,000, representing year-on-year increases of 56% and 49%, respectively.

Beijing Metro Line 16

BJL16 Erligou Station opened in March 2023. BJL16's remaining section – which includes two stations and connects the line's first three phases – and the new Suzhou Jie Station opened in December 2023. Together, these openings marked the commencement of the full-line service of the 48.9-km BJL16, a backbone line of Beijing's metro network that serves commuters in key development areas of both northern and southern Beijing. In 2023, the Northern, Middle and Southern sections of BJL16 recorded combined passenger trips of approximately 80 million and average weekday patronage of 252,000.

Beijing Metro Line 17

After the opening of the Southern Section of BJL17 in December 2021, the 24.9-km, nine-station new Northern Section of BJL17 opened in December 2023, connecting Beijing Future Science and Technology City with several large residential areas and commercial districts. The remaining sections remain under construction. The Southern Section of BJL17 recorded approximately 20 million passenger trips and average weekday patronage of 63,000 in 2023.

Shenzhen

Shenzhen Metro Line 4

Shenzhen Metro Line 4 ("SZL4"), including the SZL4 North Extension, is operated by our wholly owned subsidiary. The line maintained stable operations in 2023, and on-time train service performance exceeded 99.9%. Patronage increased by 43% year on year to 213 million passengers, while average weekday patronage was 596,000.

As previously stated, there has been no fare increase for SZL4 since we began operating the line in 2010. We anticipate that the mechanism and procedures for fare adjustments will take a longer time to implement and that patronage will remain at a lower level for longer than expected. Hence, an impairment provision of HK$962 million was recognised for the SZL4 service concession assets in the first half of 2022.

Shenzhen Metro Line 13

Shenzhen Metro Line 13 remains under construction as planned and all key contracts have been awarded.

Hangzhou

Hangzhou Metro Line 1 and Its Extensions

Hangzhou Metro Line 1 ("HZL1"), the Xiasha Extension and Airport Extension achieved stable operations in 2023 with on-time performance exceeding 99.9%. Patronage for these lines increased by 40% year on year to 309 million, while average weekday patronage was 850,000.

As mentioned in previous reports, HZL1 has been suffering from losses for many of the past several years due to slow growth in patronage, especially during the pandemic. Because there is no patronage protection mechanism under this concession agreement, the line's long-term financial viability will be impacted if patronage remains at a lower level over a further period of time, especially when the lower average fare resulting from the expanded network is taken into consideration.

Hangzhou Metro Line 5

In 2023, total patronage of Hangzhou Metro Line 5 increased by 20% year on year to 223 million, while average weekday patronage was 668,000.

PROPERTY AND OTHER BUSINESSES IN MAINLAND CHINA

Shenzhen

The Tiara, the residential development located at SZL4 Depot Site Lot 1, has a total developable GFA of approximately 206,167 square metres and a retail centre of about 10,000 square metres by GFA. Foot traffic at TIA Mall experienced gradual recovery in 2023 as the pandemic subsided. The mall's average occupancy rate was 68%.

Beijing

Foot traffic at Ginza Mall began to recover in 2023 following the pandemic. The mall's average occupancy rate was 61%.

Tianjin

Construction of the shopping mall at Tianjin Beiyunhe Station is targeted for completion in 2024.

The Company is currently studying possible strategic options for all its malls in Mainland China in light of challenging retail property market conditions.

The Company exited the property management business in Shenzhen and Beijing in the second half of 2023.

Hangzhou

We continued to progress the Hangzhou West Station TOD project during the year.

Chengdu

We are progressing the station commercial business in Chengdu under our joint venture with Chengdu Rail Transit Group. We are also exploring station commercial business opportunities in other cities in Mainland China.

MACAO

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line, which was officially extended to Barra Station on 8 December 2023. This service contract for operations and maintenance will end in 2024. The process of transferring operations and maintenance works, along with associated staff, to Macao Light Rapid Transit Corporation Limited has already commenced. This transfer will be carried out in a phased manner to ensure a seamless and smooth handover and is expected to be completed in 2024. MTR is also providing project management and technical support services for the Taipa Line Extension to Barra, Seac Pai Van Line and Hengqin Line.

EUROPE RAILWAY BUSINESSES

United Kingdom

Elizabeth Line

The concession to operate the Elizabeth line has been extended to May 2025 in 2022. Although the line's operations were affected by infrastructural performance during the year, the Company's financial interest is reasonably protected as this concession carries no fare revenue risk. The final full peak timetable was introduced in May, increasing peak-time frequencies to 24 trains per hour from 22 in each direction between Paddington and Whitechapel stations. On 4 May, the Prince and Princess of Wales took their first-ever trips on the Elizabeth line.

South Western Railway

Our associate operates the South Western Railway, one of the UK's largest rail networks, and achieved stable service in 2023. Under the National Rail Contract that was extended in February 2023 by two years till May 2025, the UK Department for Transport retains all revenue risk and substantially all cost risk for this service.

Sweden

In 2023, MTR operated four rail businesses in the country via wholly owned subsidiaries and was the largest rail operator in Sweden by passenger volume.

Stockholm Metro (Stockholms tunnelbana)

Stockholm Metro maintained steady operations during 2023. Our contract for this service runs to 2025. Our bid for the new Stockholm Metro service contract was unsuccessful.

MTRX

MTRX is an intercity service between Stockholm and Gothenburg. Passenger levels at MTRX began to recover gradually after the pandemic, and the service achieved stable operations over the course of the year.
On 8 February 2024, we entered into an agreement to divest of MTRX. The transaction is expected to be completed by the end of May 2024, following regulatory approval. Subject to the completion of the transaction, the gain to be recognised in 2024 arising from the transaction is not expected to be material.

Stockholms pendeltåg

The Stockholm commuter rail service (Stockholms pendeltåg) serves the greater Stockholm area. Operational challenges persisted in 2023 due to driver shortages and various maintenance issues. In November 2023, MTR entered into a supplemental agreement with AB Storstockholms Lokaltrafik (the Stockholm Public Transport Authority) for early termination of the concession for Stockholms pendeltåg effective 2 March 2024. A loss provision of HK$702 million from the early termination was recognised in 2023.

Mälardalen Regional Traffic (Mälartåg)

The Mälartåg regional traffic service connects Stockholm with all major towns in the Mälardalen region. We took over Mälartåg regional traffic operations from December 2021 under an eight-year agreement with the possibility of a one-year extension. In 2023, this service continued to face operational challenges due to driver shortages and maintenance issues and a loss provision of HK$320 million was recognised. In February 2024, we entered into a supplemental agreement with our client, Mälardalstrafik, for early termination of the concession effective 16 June 2024.

AUSTRALIA RAILWAY BUSINESSES

Melbourne's Metropolitan Rail Service

The Melbourne metropolitan rail network, operated by our subsidiary, achieved stable operations in 2023. The concession for this service has been extended for 18 months to run until mid-2026. We also continue to support our client, the Victoria State Government, on various initiatives to improve the network, including the 9km-long Metro Tunnel, which will provide a new railway connection through Melbourne's central business district and boost capacity by more than half a million passengers a week. The tunnel is scheduled to open in 2025.

Sydney Metro North West Line

MTR is a member of the Northwest Rapid Transit ("NRT") Consortium and is responsible for the delivery of the PPP contract, including design, financing and construction, for the Metro North West Line as well as the line's on-going operations and maintenance. The Sydney Metro North West Line achieved stable operations and a high level of customer satisfaction during the year.

Sydney Metro City & Southwest Project

The NRT Consortium has the PPP contract for the delivery of new metro trains and core rail systems as well as the operation and maintenance of the combined Metro North West Line and Metro City & Southwest Line until 2034. In April, we began dynamic testing for Phase 1 of the City Section with the first trains running under Sydney Harbour. Passenger services are expected to start in 2024.

GROWTH OUTSIDE OF HONG KONG

In July 2023, the Company signed a Memorandum of Understanding with Malaysia's MRT Corporation. The two parties will be working to develop a collaboration framework for a TOD project adjacent to the new terminal station of a new rapid transit line in Malaysia. Meanwhile, we continued to seek other growth opportunities in Mainland China, including the Greater Bay Area, as well as overseas.

Mainland China and International Railway Businesses at a Glance

	MTR Corporation Shareholding	Business Model	Commencement of Franchise/Expected Date of Commencement of Operation	Franchise/ Concession Period	Total Number of Stations	Route Length *(km)*
Mainland China						
Beijing Metro Line 4 ("BJL4")	49%	Public-Private-Partnership ("PPP")	September 2009	30 years	24	28
Daxing Line of BJL4	49%	Operations and Maintenance ("O&M") Concession	December 2010	End together with BJL4 concession	11	22
Beijing Metro Line 14 ("BJL14")	49%	PPP	Full Line: by phases from May 2013 to December 2021	30 years from December 2015	Full Line: 37[1]	Full Line: 50.8
Beijing Metro Line 16 ("BJL16")	49%	Full Line: PPP	Full Line: by phases from December 2016 to December 2023	30 years from January 2024	Full Line: 30[1]	Full Line: 48.9
Beijing Metro Line 17 ("BJL17")	49%	O&M Concession	Phase 1: December 2021 Phase 2: December 2023 Subject to local government arrangement	20 years from December 2021	Phase 1: 7 Phase 2: 10[1] Full Line: 21	Phase 1: 15.8 Phase 2: 24.9 Full Line: 49.7
Shenzhen Metro Line 4 ("SZL4")	100%	Build-Operate-Transfer[2]	Phase 1 and 2: by phases from July 2010 to June 2011	30 years	Full Line: 15	Full Line: 19.9
SZL4 North Extension	100%	O&M Concession	October 2020	End together with SZL4 concession	8	10.8
Shenzhen Metro Line 13	83%	PPP	2024	30 years	16	22.4
Hangzhou Metro Line 1 ("HZL1")	49%	PPP	November 2012	25 years	25[3]	35.6[3]
HZL1 Xiasha Extension	49%	O&M Concession	November 2015	End together with HZL1 concession	3	5.6
HZL1 Phase 3 (Airport Extension)	49%	O&M Concession	December 2020	End together with HZL1 concession	5	11.2
Hangzhou Metro Line 5 ("HZL5")	60%	PPP[4]	Initial Section: June 2019 Latter Section (Included West Extension): April 2020	25 years	40[4]	56.2
Macao						
Macao Light Rapid Transit Taipa Line	100%	O&M Service Contract	December 2019	80 months	12	12.5
Europe						
Elizabeth Line, United Kingdom	100%	O&M Concession	May 2015	8 years till 2023, 2 years extension till 2025	41	118
South Western Railway, United Kingdom	30%	O&M Concession	May 2021	2 years till 2023, 2 years extension till 2025	210	998
Stockholm Metro, Sweden	100%	O&M Concession	November 2009	8 years till 2017, 6 years extension till 2023 and 1.5 – 2 years extension till 2025[5]	100	108
MTRX, Sweden	100%	Open Access Operation	Initial service: March 2015 Full schedule: August 2015	Operating license is subject to renewal[6]	10	462
Stockholm commuter rail, Sweden	100%	O&M Concession	December 2016	10 years[7]	54	247
Mälartåg, Sweden	100%	O&M Concession	December 2021	8 years[8]	45	1,060
Australia						
Melbourne's Metropolitan Rail Service	60%	O&M Concession	November 2009	8 years till 2017, 7 years extension till 2024 and 18 months extension till 2026	222	432
Sydney Metro North West Line	Mixed	PPP (Operations, Trains & Systems)	May 2019	15 years	13	36
Sydney Metro City & Southwest Line	Mixed	PPP (Operations, Trains & Systems)	Target in 2024	10 years after service commencement	18	30

Notes:

1 *BJL14 Phase 2 East Section has 12 stations, 11 opened and one bypassed currently. BJL14 Phase 3 Middle Section has 13 stations, ten opened and three bypassed currently. BJL16 Phase 3 has ten stations, nine opened and one bypassed currently. BJL17 Phase 2 has ten stations, nine opened and one bypassed currently.*

2 *SZL4 Phase 1 assets are owned by the Shenzhen Municipal Government, and MTR Corporation (Shenzhen) Limited took over the operation of Phase 1 in July 2010. SZL4 North Extension assets are owned by the Shenzhen Municipal Government, and MTR Corporation (Shenzhen) Limited was granted operations and maintenance.*

3 *HZL1 Linping Section became an independent operation under Hangzhou Metro Line 9 in July 2021.*

4 *HZL5 West Extension is out of PPP scope. One station of HZL5 is under construction.*

5 *In December 2021, the public transport authority decided to extend this contract for a minimum of 18 months and a maximum of 24 months.*

6 *On 8 February 2024, we entered into an agreement to divest of MTRX. The transaction is expected to be completed by the end of May 2024 following regulatory approval.*

7 *In November 2023, MTR entered into a supplemental agreement with AB Storstockholms Lokaltrafik (the Stockholm Public Transport Authority) for early termination of the Stockholms pendeltåg concession effective 2 March 2024.*

8 *In February 2024, we entered into a supplemental agreement with Mälardalstrafik for early termination of the Mälartåg concession effective 16 June 2024.*

OTHER BUSINESSES

NGONG PING 360

Revenue for the Ngong Ping Cable Car and its associated theme village ("Ngong Ping 360") increased significantly year on year to HK$378 million in 2023, while visitation increased by 255% to 1.38 million. This was mainly due to the low comparative base set in 2022, when the city was still experiencing pandemic conditions and the cable car service was suspended for nearly four months.

With the gradual removal of anti-pandemic restrictions in early 2023, the Company resumed marketing Ngong Ping 360 overseas and in key Mainland markets. We also continued our efforts to boost awareness in Hong Kong and drive local visitation by organising a series of promotional events during festive seasons. Highlights included the "Double Ducks @ Ngong Ping 360", the "Ngong Ping 360 Lantern Festival" and the "Ngong Ping 360 x Polaroid Winter Dazzling Christmas."

OCTOPUS

In 2023, MTR's share of profit from Octopus Holdings Limited increased by 25.3% to HK$501 million. This was primarily due to the reopening of cross-boundary stations and improved consumer sentiment following the lifting of social distancing policies. As at 31 December 2023, more than 100,000 service providers in Hong Kong accepted Octopus payments, and there were another 34 million payment acceptance points in Mainland China and globally through Octopus' collaboration with a third-party payment system. Total cards and other stored-value Octopus products in circulation were 27 million, while average daily transaction volumes and value were 16 million and HK$353.2 million, respectively.

In November 2023, we were delighted to celebrate Octopus' 26th year of innovation at the "Octopus 25+ – The Next First Step" anniversary celebration, and we look forward to working closely together to continue advancing digital payment and making life more convenient for passengers.

MTR ACADEMY

The MTR Academy ("MTRA") is an internationally recognised institution dedicated to developing railway management and engineering professionals, furthering careers, and building a pipeline of talent for the future growth of the railway industry. In 2023, more than 2,300 participants attended MTRA programmes and outreach activities. Ninety-one students graduated from Advanced Diploma and Diploma programmes, while 42 students graduated from the "Railway Studies" Applied Learning programme. MTRA also delivered three Corporate Programmes during the year, including a bespoke programme for an organisation from a Belt and Road country.

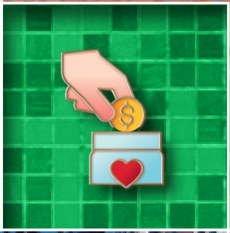
MTRA launched its MTR Research Funding Scheme in 2023 to support forward-looking research projects at universities that aim to explore, shape and realise the mass public transport systems of tomorrow. Twelve out of 84 projects were selected for funding.

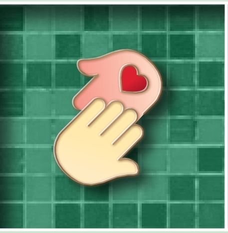
Looking forward, MTRA will promote career and study opportunities among diverse community groups, organise corporate programmes for professionals from Belt and Road countries and other regions, and collaborate with universities to seek innovative solutions for operational challenges.

MTR LAB

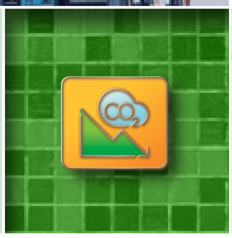
MTR Lab was launched as an integral part of our strategic "New Growth Engine" business pillar. This new venture seeks to invest in innovative technologies that can support MTR's long-term growth as well as the communities the Company serves. Following joint investments in alfred24, a locally based logistics technology start-up seeking to optimise last-mile e-commerce deliveries using smart lockers, and Ampd Energy, a provider of energy storage systems for the electrification of heavy industry, MTR Lab and its subsidiaries remained very active in the second half of the year. In October, MTR Lab and Gobi Partners GBA announced a HK$46.8 million joint investment in isBIM, a leading building information modelling ("BIM") consultant and solutions provider in Asia-Pacific. In December, MTR Lab announced an investment in WeMaintain, a French proptech company providing smart lift and escalator maintenance and building operations solutions in Europe and Asia. Also during the year, MTR Lab's wholly owned subsidiary Urban Access Solutions Company Limited ("UAS") launched Jove, a new electric vehicle ("EV") charging and smart parking platform. Jove's EV charging app for customers was rolled out in December together with EV charging points installed in THE SOUTHSIDE shopping mall. UAS plans to expand its charging point coverage to more MTR Malls and MTR station car parks in 2024.

HK$16.4 million
Donated and Sponsored to Charitable and Other Organisations





Setting
Science-Based Targets
for 2030 and striving to achieve
Carbon Neutrality by 2050



ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

MTR is committed to meeting the highest environmental, social and governance ("ESG") standards possible in order to deliver effectively and responsibly on its mission to "Keep Cities Moving". In fact, the Company has made ESG the bedrock of its operations as it strives to achieve the sustainable, long-term growth goals detailed in its Corporate Strategy.

Shareholders and stakeholders may learn more about our ESG performance by reading our Sustainability Report, which is published annually as an account of our related activities during the year. The Sustainability Report fulfils the disclosure requirements of the Hong Kong Stock Exchange ESG Reporting Guide and Global Reporting Initiative Sustainability Reporting Standards, and it follows the framework recommended by the Task Force on Climate-related Financial Disclosures ("TCFD"). The Report contains an Independent Assurance Report prepared by an external auditor, who performed limited assurance in relation to certain sustainability performance data. We also maintain a separate sustainability website that provides details of our management approach to our material sustainability issues.

KEEP CITIES MOVING SUSTAINABLY

In 2023, MTR set out 44 key performance indicators ("KPIs") to guide its progress in 10 focus areas across three environmental and social objectives: Greenhouse Gas ("GHG") Emissions Reduction, Social Inclusion, and Advancement and Opportunities. Most of the KPIs had either been achieved or were on track to be achieved during the year. By regularly gauging our performance according to these criteria, we are better able to assess our strengths and areas for improvement as we work to build safe, efficient, accessible and environmentally friendly transportation networks around the world.

3 ENVIRONMENTAL AND SOCIAL OBJECTIVES AND 10 COMMITMENTS

Social Inclusion

As a provider of public transport services for all, social inclusion lies at the very heart of who we are and what we do

Contribute to the following United Nations Sustainable Development Goals ("UN SDGs"):

Commitments

1 Universal Basic Mobility

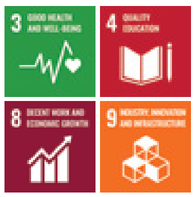
2 Diversity & Inclusion

3 Equal Opportunities

Advancement & Opportunities

As we fulfil our vision to connect and grow communities, we create opportunities for others to develop themselves and grow alongside us

Contribute to the following UN SDGs:



Commitments

4 Employees

5 Business Partners

6 Future Skills & Innovation

GHG Emissions Reduction

As a low-carbon transport provider, we are committed to managing our environmental footprint and achieving carbon neutrality

Contribute to the following UN SDGs:

Commitments

7 Carbon Emissions

8 Clean Energy and Energy Efficiency

9 Waste Management

10 Green and Low-carbon Designs

SOCIAL INCLUSION

Universal Basic Mobility

In 2023, we continued to introduce new features to our "MTR • Care" mobile app to assist the elderly and people in need. We also reached out to a variety of support groups to understand the needs of their communities and how to serve them better.

In celebration of Light Rail's 35th Anniversary, around 180 service users and representatives from five NGOs, including our ESG Project Allies with service users from ethnically diverse or underprivileged families, students with special education needs, and people with disabilities were invited to join the Open Day at Tuen Mun Depot.

Safety First

As a world leader in mass transit services, MTR prioritises the safety and well-being of its passengers, staff and business partners. The Company invests significant resources each year into operational and workplace safety to ensure that its trains, stations and properties remain safe and accessible.

In 2023, important safety initiatives included the completion of an asset management system review of the Company's railway operations and portfolio in Hong Kong; on-going reviews of our safety and health practices; and regular staff training on public and workplace safety fundamentals.

Our Corporate Strategic Safety Plan 2021 – 2024, which is under a four-year review cycle, helps us focus our safety efforts and meet our safety objectives across all our business units, subsidiaries and associates, both in Hong Kong and around the world.

To foster a safety-first culture, we launched the Corporate Safety Campaign 2023 to boost engagement through various initiatives, including the Global Safety Hackathon and seminars delivered by world-renowned safety experts. Such events enabled knowledge-sharing and helped build a proactive safety culture for the MTR community globally.

For details on the many ways that we enhance operations and customer safety, please refer to the "Hong Kong Transport Services – Transport Operations" section (page 34) of this Annual Report.

Diversity and Inclusion

At MTR, we believe that promoting diversity and inclusion is key to ensuring a harmonious environment for all, both in the workplace and community. As a joint effort across business units and corporate functions to promote disability inclusion, we were proud to receive the "CareER Inclusive Employer Badge" in 2023 for participating in their Disability Inclusion Index and hiring people with disabilities in Hong Kong.

To futher support our commitment to diversity and inclusion, we sponsored various events that aimed to enhance social inclusion and equality in the community. The Company sponsored the inclusive concert "Everyday Heroes All Around" organised by True Colors Symphony, where differently abled musicians performed for 8,500 secondary school students to emphasise the importance of mental resilience. We also co-organised the "Beats Go Green" Multicultural Green Music Programme with True Colors Symphony and The Zubin Foundation, where more than 200 participants used musical instruments upcycled from retired MTR train parts to promote multicultural inclusion and raise environmental awareness.

Equal Opportunities

The year featured several highlights in MTR's efforts to help ensure level playing fields in society and the workplace. One was the new ESG Project Allies initiative, launched with 12 NGOs and social enterprise partners, to co-create impact in the areas of disability inclusion, ethnic diversity, gender equity and intergenerational relationships. The Company is also piloting a new one-year traineeship programme, "EmpowerZ", to support the employment of people with disabilities or from ethnically diverse backgrounds. This programme reaches out to the community proactively via our ESG Project Allies, NGO partners, The Hong Kong Council of Social Services and the Equal Opportunities Commission. We also provided support to NGOs through free advertising space and nominal rental rates at some of our station shops, as discussed in the "Hong Kong Transport Services – Station Commercial Businesses" section (page 45) of this Annual Report.

Elsewhere, MTR's "More Time Reaching Community" Scheme resumed full efforts to reach out to the community after the pandemic. In 2023, a total headcount of 4,539 participating volunteers were involved in 270 projects serving more than 69,000 beneficiaries across the community. During our annual "MTR Volunteering Month", held in March and April 2023 under the theme of "Create an Inclusive Community • Build a Greener Future", we organised various initiatives including a visit by primary school students from underprivileged families in Tin Shui Wai to East Rail Line stations; two interactive green workshops for physically challenged youths; a visit by underprivileged secondary school students to the Operations Training Centre and Kowloon Bay Depot to learn about careers at MTR and in the railway industry; and a treasure hunt at Ngong Ping 360 for local and ethnic minority children to enhance cross-cultural understanding.

During the year, MTR donated and sponsored approximately HK$16.4 million to charitable and other organisations.

In 2023, the Company continued to promote artistic appreciation through "Art in MTR", a programme that showcases a variety of visual and performing arts. We partnered with AllRightsReserved to share the joy of Dutch artist Florentijn Hofman's Gigantic Rubber Duck, transforming Admiralty Station into a "Double Ducks-Themed Station" and decorating 23 other stations. The project received an overwhelming response from passengers and tourists, who came to capture joyful moments with the artwork in Admiralty Station. Throughout the year, we also utilised the space in our stations to host a number of exhibitions in Central, Sheung Wan and Sai Wan Ho stations. The "Living Art Stage", located in the Central Subway of Hong Kong Station, was relaunched in 2023 and is once again showcasing a diverse range of performances by talented individuals and groups from all walks of life for the enjoyment of passengers every Friday

evening and during festive seasons. Internationally renowned artist Mr Doodle also gave a live art performance at the "Living Art Stage" to let passengers experience the transformative power of art.

ADVANCEMENT & OPPORTUNITIES

Future Skills and Innovation

In 2023, MTR launched the 2.0 version of its long-running "'Train' for Life's Journeys" youth programme for students. Now entering its 15th year, the revamped programme will focus on developing young people's future skills and innovative capacity, including design thinking, entrepreneurship, financial literacy and AI usage. It features a "Social Innovation Challenge" competition that encourages students to apply their knowledge to solve societal challenges with support from our ESG Project Allies. To empower underserved secondary school students with the skills and attributes required in a business context, the Company also piloted a one-month workplace experience programme with SEED Foundation for six students.

During the year, we supported and sponsored various events and programmes to help promote technology and social innovation. The Company sponsored the "She Loves Tech Global Conference and Competition 2023", which aims to empower female entrepreneurs, groom future STEM talent and explore the positive impact of technology on humanity. The event received participation from 2,000 start-ups from over 90 countries. The Company also sponsored the 16th Social Enterprise Summit in November, which focused on exploring the role of holistic well-being in shaping a flourishing and sustainable society.

MTR Academy has been cultivating future railway professionals and industry leaders for years, and MTR Lab was established to invest in innovative technologies for sustainable future growth. Further details can be found in the "Other Businesses" section (page 70) of this Annual Report.

Enabling the Development of Our Business Partners

MTR expects suppliers and contractors to adhere to the same high standards of ethical business conduct that the Company demands of itself. The Supplier Code of Practice provides a compulsory behavioural framework covering ethical standards, human and labour rights, and supply chain management. The Green Procurement Policy advocates for high standards of environmental protection. The Modern Slavery and Human Trafficking Statement defines the Company's commitment to preventing any incidence of modern slavery or human trafficking within its business and supply chains.

GREENHOUSE GAS EMISSIONS REDUCTION

Carbon Emissions

Following the submission of our commitment letter and technical documents detailing our 2030 carbon reduction targets to the Science Based Targets initiative ("SBTi") in mid-2022, our targets covering our railway and property businesses in Hong Kong were approved in April 2023 and published on the SBTi website. Under the SBTi-approved reduction targets, scope 1, 2 and 3 well-to-wheel (i.e., both upstream and downstream emissions from the use of electricity) GHG emissions from MTR's rail transport activities are to be reduced by 46.2% per passenger kilometre, while scope 1 and 2 GHG emissions from the Company's investment properties are to be reduced by 58.6% per square metre of floor area by 2030, using 2019 as the base year for comparison. MTR has also pledged to reduce its absolute scope 3 GHG emissions – those that are not directly controlled by the Company, but which are a consequence of its activities – by 13.5% within the same timeframe. Meeting these targets will help us attain our long-term goal of achieving carbon neutrality by 2050.

We are currently conducting a trial project for a hydrogen-powered light rail vehicle. Our first electric bus will be put into service in mid-2024 after undergoing a series of tests and obtaining relevant approval.

In June 2023, we organised our first-ever Green Week in collaboration with over 20 green NGOs and partners. More than 4,500 colleagues participated, and a post-event survey revealed that 98% of respondents agreed that Green Week had strengthened their understanding of MTR's environmental and social objectives. Almost all of the respondents agreed with the Company's long-term goal of achieving carbon neutrality by 2050.

Clean Energy and Energy Efficiency

In 2023, we completed the installation of solar photovoltaic systems at Pat Heung Depot, Chai Wan Depot, Sunny Bay Station and Siu Hong Station. We also continued our large-scale chiller replacement project at stations and depots across Hong Kong. The second phase, which involves the replacement of 31 chillers at our stations, will be completed in 2025. After replacement, we expect chiller energy savings to be at least 20%. Our programme to replace the existing lighting in all depots with LED lights by 2026 is around two-thirds complete; once finished, we estimate recurrent savings of approximately 6,500MWh compared to 2019.

Waste Management

Through our Legacy Train Revitalisation Programme, we cooperate with various partners to preserve and revitalise carriages and components for other uses at schools, elderly centres and government departments. Over 500 decommissioned train parts have been repurposed since 2021. In addition, around 60 retired sleepers have been donated to WWF Hong Kong and upcycled into seating benches for use at the Mai Po Nature Reserve. Meanwhile, all of our malls and 49 managed properties joined the Glass Container Recycling Charter launched by the Environmental Protection Department.

Green and Low-carbon Designs

In 2023, we attained BEAM Plus Provisional Gold accreditation for Tung Chung East and Tung Chung West stations on the Tung Chung Line Extension, A16 Station on the Tuen Mun South Extension, and Oyster Bay Station and Hung Shui Kiu Station on the Tuen Ma Line as well as BEAM Plus Provisional Platinum accreditation for Kwu Tung Station on the East Rail Line and Tuen Mun South Station on the Tuen Mun South Extension. Our BREEAM In-Use certification rating for Hin Keng Station was upgraded to "Excellent" in April.

Sustainable Finance

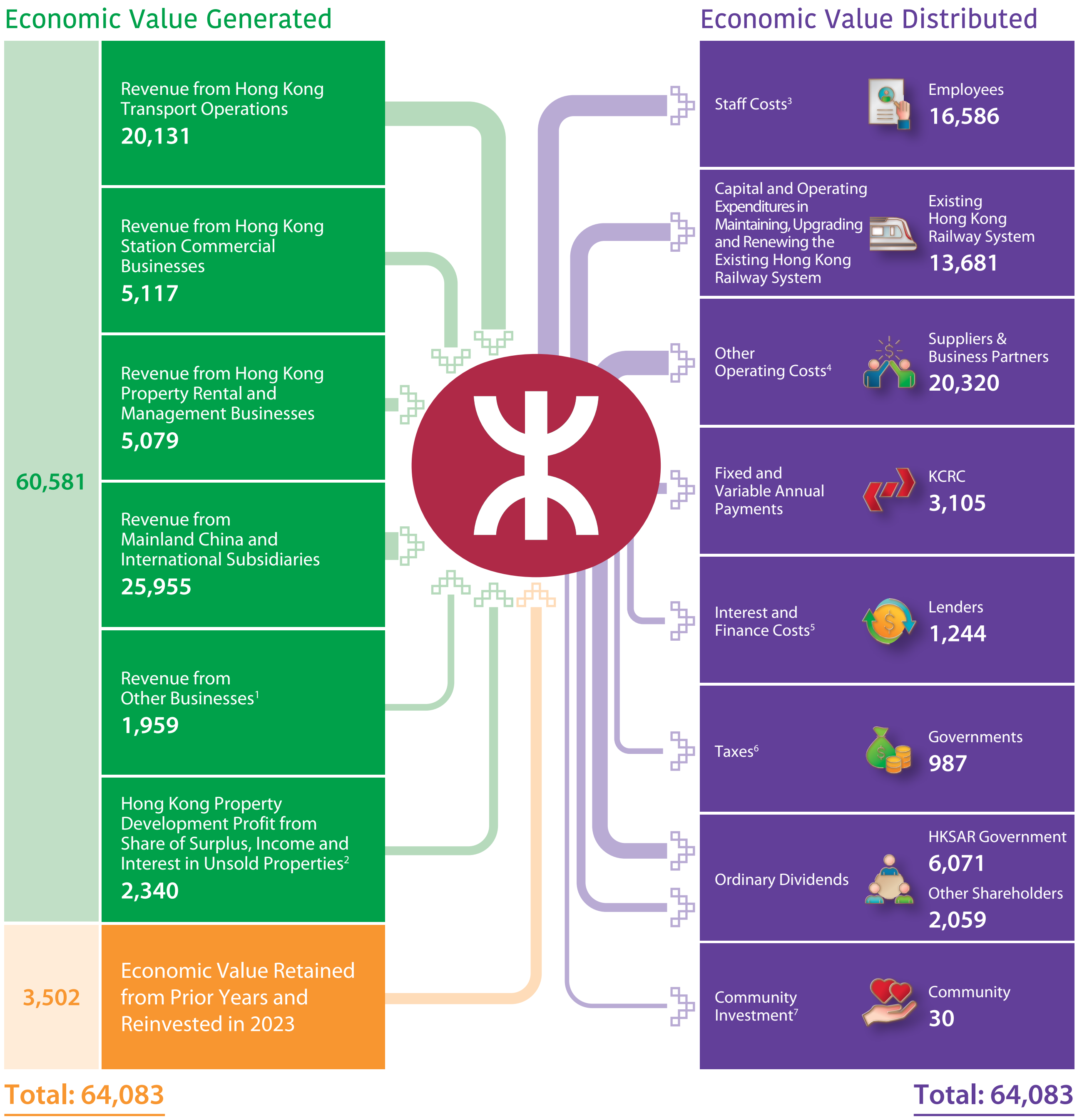
In 2023, approximately HK$1.3 billion in sustainable finance was arranged for a variety of railway-related, energy saving and energy efficiency projects. Details of our sustainable investments are provided in our annual Sustainable Finance Report, which is published on our sustainability website.

INDEX AND RECOGNITION

For the fifth consecutive year, MTR has been included in S&P's Sustainability Yearbook 2024 for placing within the top 15% of its industry in terms of sustainability performance. More than 9,400 companies were reviewed globally, and MTR was one of just 759 companies selected for this year's edition. The Company was also included in S&P's Sustainability Yearbook (China Edition) 2023, which selected just 88 companies among the approximately 1,600 assessed. MTR was also included in the FTSE4Good Index Series.

In 2023, MTR continued to be a constituent company in three Hang Seng indices: the Hang Seng Corporate Sustainability Index, Hang Seng (Mainland and HK) Corporate Sustainability Index and Hang Seng Corporate Sustainability Benchmark Index.

VALUE ADDED AND DISTRIBUTION STATEMENT IN 2023
(HK$ MILLION)



Notes:

1. *Includes share of profit of associates and joint ventures.*
2. *Before taking into account staff costs of HK$11 million.*
3. *Excludes staff costs related to Hong Kong railway system maintenance of HK$2,654 million, capitalised for asset creation of HK$2,644 million and recoverable of HK$663 million.*
4. *For simplicity, other operating costs include provisions for onerous contracts in respect of Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023 and interest income of HK$777 million, netted with non-controlling interests of HK$304 million. Excludes operating costs related to Hong Kong railway system maintenance of HK$2,564 million.*
5. *Excludes interest expenses capitalised for asset creation of HK$667 million.*
6. *Represents current tax and excludes deferred tax for the year.*
7. *Includes donations, sponsorships and other community engagement contributions, and excludes in-kind donations of HK$35 million given. In addition, there were (i) ongoing fare concessions of approximately HK$2.9 billion and (ii) other fare promotions that have not been accounted for in this amount.*

120+
Follow-Up actions for Employee Engagement Survey

7.2
Average Training Days per Employee in Hong Kong

54,000+
Staff Worldwide

HUMAN RESOURCES

A company's success is dependent on how well it engages with, develops and motivates its people. To ensure business continuity and fulfil its purpose to Keep Cities Moving, MTR continued to offer extensive learning, development and career opportunities for its employees, provide equal employment opportunities, and foster a supportive and harmonious workplace in 2023. These efforts were recognised with numerous awards from Hong Kong's human resources sector during the year.

As at 31 December 2023, the Company together with its subsidiaries employed 17,405 staff in Hong Kong and 16,000 staff outside Hong Kong. Our associates and joint ventures employed an additional 21,498 staff in Hong Kong and worldwide.

RECRUITMENT, TALENT MANAGEMENT AND RETENTION

In 2023, MTR's voluntary staff turnover rate in Hong Kong was 7.2%. The Company's efforts to attract and retain its employees – particularly in a tight labour market – include regularly communicating and connecting with employees, providing comprehensive learning and development programmes, and enabling career development and personal growth.

Recruitment and retention have been challenging in recent years. We attract and retain employees by offering competitive pay and benefits, short-term and long-term incentive schemes, and a broad range of career development opportunities under our total reward framework. To meet manpower requirements for operational needs, the Company has been very active in recruitment. To enhance outreach to the community and raise public awareness, we organised a number of Recruitment Days in stations, community centres and MTR Malls. Further, an MTR Recruitment Bus was deployed to various locations to attract candidates. We also established promotional channels via digital platforms, the metaverse, printed media and station advertising. In addition, we have adopted a number of measures to attract and retain talent, such as introducing half-time jobs, expanding the Employee Referral Programme, introducing a Joining Bonus Programme for designated positions with recruitment challenges, and conducting a review of the retirement policy with the aim of providing higher flexibility to handle deferred retirement cases. We also conduct regular reviews of pay and benefits and make necessary adjustments to maintain market competitiveness. Our robust performance management system facilitates us in recognising and rewarding employees through the performance-based pay review mechanism and various motivational and awards schemes.

Our extensive graduate recruitment initiatives also continued through a variety of digital and physical channels carried out in partnership with local and overseas universities. A total of 79 high-calibre graduates joined the Company's graduate development programmes in 2023, while 168 apprentices and technician associates and 31 graduate engineers were also recruited to join the Apprenticeship Scheme and Graduate Engineer Scheme respectively. These are our two primary vehicles to develop young talent in the railway industry.

As a caring employer, MTR emphasises employee well-being by cultivating a progressive workplace, implementing family-friendly policies and promoting work-life balance. In 2023, we reviewed and enhanced our adverse weather allowances to recognise employees' hard work under such circumstances and proactively conducted a review to improve the Wellness Platform to better support our employees in 2024.

To meet our Corporate Strategy objectives and long-term business goals, it is critical to build a strong pipeline of talented staff who can assume future leadership roles. A series of Talent Pipeline Programmes, including the Management Potential Development Programme and Management Development Initiative, help us access and identify supervisors and managers with leadership potential and groom them through structured development and cross-unit job rotations.

In view of the challenges related to the current labour market, it is crucial for employers to effectively communicate a clear and compelling employer brand that resonates with talent towards the company's purpose and goals. In 2023, we launched an Employer Branding Project, the first phase of which includes thoroughly reviewing MTR's employer brand image, defining its employee value propositions and developing a comprehensive recruitment marketing strategy.

STAFF MOTIVATION AND ENGAGEMENT

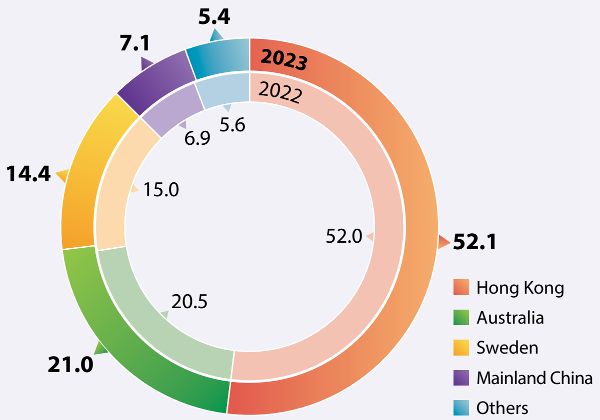
As part of our continuous internal communication strategies, we conducted an Employee Engagement Pulse Survey in December 2022 as a checkpoint to obtain colleagues' feedback following the successful Employee Engagement Survey ("EES") 2021. The response rate was 58%, and the results, analyses and insights were communicated to management and employees in February 2023. As a result, ten taskforces at the Corporate and Business Units/ Functions levels have designed and executed more than 120 actions to address the needs of employees and enhance the working experience at MTR. A full-scale EES was conducted in November and December 2023 to listen to the needs of employees in Hong Kong and those in wholly owned subsidiaries, and the response rate was 77%. Survey results and analyses will be communicated in the first quarter of 2024, and action plan development and implementation will follow.

In February 2023, we granted "Special Lai-sees" of HK$500 and HK$200 to eligible full-time and temporary/ part-time employees, respectively, as a token of appreciation for colleagues' efforts in achieving major milestones despite the numerous challenges of the past year. In September, we recognised the tremendous efforts and professionalism of our Hong Kong Transport Services colleagues in keeping Hong Kong moving during the unprecedented extreme rainstorms of 7 and 8 September 2023 by presenting them with Special "Living the MTR Values" Awards. We also granted an additional one-off special recognition to essential colleagues of various Business Units/Functions who reported to duty during the period of adverse weather.

In November 2023, we hosted the "MTR Grand Awards for Outstanding Contribution and Long Service Awards Presentation Ceremony", an annual event that recognises individual colleagues and teams who have demonstrated exemplary performance and loyalty to the Company. A record-high 95 loyal awardees received the 40 Years' Service Award. In 2023, we refined the scheme of the MTR Grand Awards for Outstanding Contribution and increased the number and value of awards to strengthen employee motivation. A Special Recognition Award was granted to recognise the dedication and exceptional efforts of frontline colleagues in handling the serious flooding incident at Wong Tai Sin Station due to extreme weather on 7 and 8 September 2023 and achieving speedy service recovery.

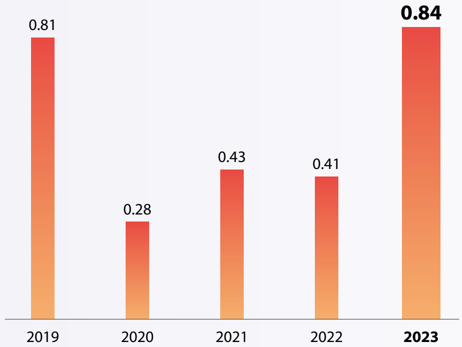
Staff Distribution by Geographical Location

(Percentage)



Staff Productivity – Earnings Per Employee*

(HK$ million)



* *Hong Kong businesses excluding property development*

LISTENING AND RESPONDING TO EMPLOYEES

We strive to nurture a committed and motivated workforce by going the extra mile to connect with, listen to and respond to our colleagues. Our Staff Consultation Mechanism enables management to keep close connection with more than 1,000 staff representatives, who are elected directly by staff, and discuss matters of common concern. In 2023, the Company held quarterly meetings for the Staff Consultative Council and 50 Joint Consultative Committees, the discussion and achievements of which are communicated to staff regularly. We also organised 14 communication sessions with staff representatives and unions to provide updates on the latest developments in our business and address their concerns.

We continued to leverage various forms of internal communications to share information and facilitate exchange of views on corporate developments for employees based in Hong Kong, Mainland China and overseas hubs. During the year, we published CEO Messages, CEO Blog posts and featured videos via MTRConnects, our global internal website, and regularly conducted management focus groups, site visits and council meetings to reach out and connect with employees across the Company.

With the pandemic receding, we resumed in-person communications initiatives in 2023. The Company organised seven management forums and meetings, including Executive Managers Forums and Management Communication Meetings, to connect with managers from Hong Kong, Mainland China and overseas hubs.

A CULTURE OF CONTINUOUS LEARNING

MTR invests in quality learning and development to build employee capabilities for the long-term success of the Company's business as well as its people. In 2023, we continued to provide a wide range of learning and development topics covering business, management and functional skills for an average of 7.2 days of training per employee, including face-to-face, digital and e-learning courses.

In addition, we continued to develop technology-focused programmes such as robotic systems and data-driven mindsets to help employees enhance railway safety and efficiency. These programmes aim to equip our colleagues with the knowledge and skills in line with the newly upgraded railway systems in frontline operations.

FINANCIAL REVIEW

HK$56,982 million
Total Revenue
↑19.2%

HK$6,364 million
Underlying Business Profit
↓40.2%

Strong Credit Ratings
AA+
by Standard & Poor's
(long-term)

A review of the Group's results and operations is featured in the preceding sections. This section discusses and analyses these results in a greater level of detail.

CONSOLIDATED PROFIT OR LOSS

HK$ million	Year ended 31 December 2023	2022	Favourable/ (Unfavourable) Change HK$ million	%
Total Revenue	**56,982**	**47,812**	**9,170**	**19.2**
Recurrent Business Profit				
EBIT^ε*				
Hong Kong Transport Services				
– Hong Kong Transport Operations	**(1,111)**	(4,733)	3,622	76.5
– Hong Kong Station Commercial Businesses	**3,792**	2,270	1,522	67.0
Total Hong Kong Transport Services	**2,681**	(2,463)	5,144	n/m
Hong Kong Property Rental and Management Businesses	**3,999**	3,800	199	5.2
Mainland China and International Railway, Property Rental and Management Subsidiaries*	**524**	962	(438)	(45.5)
Other Businesses, Project Study and Business Development Expenses	**(341)**	(539)	198	36.7
Share of Profit of Associates and Joint Ventures	**1,259**	1,095	164	15.0
Total Recurrent EBIT (before Special Loss Provisions)	**8,122**	2,855	5,267	184.5
Interest and Finance Charges	**(1,213)**	(1,061)	(152)	(14.3)
Income Tax	**(1,302)**	(361)	(941)	(260.7)
Non-controlling Interests	**(304)**	(314)	10	3.2
Recurrent Business Profit (before Special Loss Provisions)	**5,303**	1,119	4,184	373.9
Provisions for Onerous Contracts and Impairment Loss	**(1,022)**	(962)	(60)	(6.2)
Recurrent Business Profit (after Special Loss Provisions)	**4,281**	157	4,124	n/m
Property Development Profit (Post-tax)				
In Hong Kong	**2,035**	10,413	(8,378)	(80.5)
Outside Hong Kong	**48**	67	(19)	(28.4)
Property Development Profit (Post-tax)	**2,083**	10,480	(8,397)	(80.1)
Underlying Business Profit	**6,364**	**10,637**	**(4,273)**	**(40.2)**
Gain/(Loss) from Fair Value Measurement of Investment Properties (Post-tax)				
Gain/(Loss) from Fair Value Remeasurement on Investment Properties	**60**	(3,076)	3,136	n/m
Gain from Fair Value Measurement of Investment Properties on Initial Recognition from Property Development	**1,360**	2,266	(906)	(40.0)
Gain/(Loss) from Fair Value Measurement of Investment Properties (Post-tax)	**1,420**	(810)	2,230	n/m
Net Profit Attributable to Shareholders of the Company	**7,784**	**9,827**	**(2,043)**	**(20.8)**
Total Recurrent EBIT Margin# *(in %)*	**10.3%**	1.7%		8.6% pts
Total Recurrent EBIT Margin# (excluding Mainland China and International Subsidiaries) *(in %)*	**20.4%**	3.7%		16.7% pts

ε : EBIT represents profit before interest, finance charges and taxation

** : Excluding the special loss provisions, being the provisions for onerous contracts in respect of Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023, and impairment loss made for Shenzhen Metro Line 4 of HK$962 million in 2022*

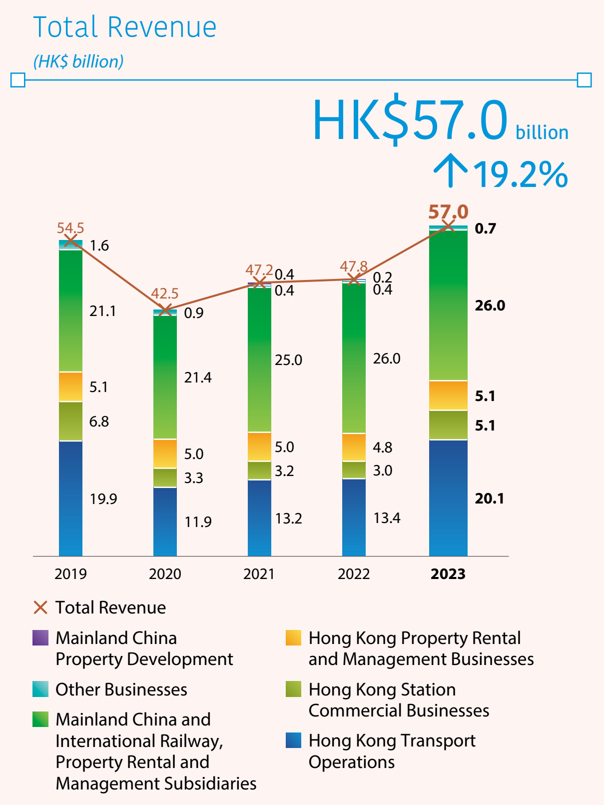
 # : Excluding share of profit of associates and joint ventures but including special loss provisions. If excluding the special loss provisions recognised in Mainland China and International Subsidiaries, the recurrent EBIT margins (including Mainland China and International Subsidiaries) in 2023 and 2022 would have been 12.0% and 3.7% respectively

n/m : not meaningful

Our Hong Kong recurrent businesses benefited from continuing recovery in Domestic patronage, the resumption of Cross-boundary and High Speed Rail services and the related Duty Free businesses. Recovery was especially strong in High Speed Rail. Outside of Hong Kong, special loss provisions were made in respect of Stockholms pendeltåg and Mälartåg regional traffic in Sweden in 2023 due to operational challenges. Modest property development profit was recorded in 2023 from initial profit from LOHAS Park Package 11 and residual profits from various completed projects, as compared to profits recognised from three development projects in 2022.

Total Revenue

The Group's total revenue in 2023 increased by 19.2% to HK$56,982 million when compared to 2022, mainly benefiting from higher revenue contribution from our Hong Kong transport services due to (i) continuing recovery in Cross-boundary and High Speed Rail fare revenue, as well as Duty Free rental income following the reopening of rail links with Mainland China, and gradual recovery in visitors' patronage since early 2023; (ii) the recovery of Domestic Service patronage which suffered in 2022 due to the outbreak of fifth wave of COVID-19 in Hong Kong; and (iii) patronage growth resulting from a full year operation of the East Rail Line cross-harbour extension.



Recurrent Business Profit

With the continuous patronage recovery in our Domestic Service, and the resumption of Cross-boundary and High Speed Rail services and related Duty Free businesses, our Hong Kong recurrent business showed significant profit increase when compared to 2022. Outside of Hong Kong, losses increased in our Nordic businesses, although this adverse impact was partly mitigated by improved profit sharing from our associates in the Mainland China.

As announced in November 2023, MTR Pendeltågen AB entered into a supplemental agreement with the Stockholm Public Transport Authority for the early termination of our concession for Stockholms pendeltåg, effective 2 March 2024. Besides, as mentioned previously, the operations of Mälartåg regional traffic operated by MTR Mälartåg AB continues to be challenging due to driver shortages and maintenance issues, and if these issues cannot be resolved in the near term, the financial sustainability of this contract may also be impacted. A supplementary agreement was signed with the client, Mälardalstrafik, in February 2024 to early terminate our service of Mälartåg regional traffic effective 16 June 2024. In respect of the above, provisions for onerous contracts of HK$702 million and HK$320 million were made, respectively, in the second half of 2023 for our Stockholms pendeltåg and the Mälartåg regional traffic concessions. The loss from Stockholms pendeltåg comprised (i) the "exit fee"; (ii) provisions for certain assets written-off; and (iii) a provision for wind-down costs. For Mälartåg regional traffic, the loss provision was made based on the estimated unavoidable costs in accordance with the accounting standard requirement, and the loss arising under the terms of the supplementary agreement is not expected to be materially different from the provision already made in 2023. In 2022, an impairment loss of HK$962 million was recognised in respect of Shenzhen Metro Line 4.

As a result, the Group's recurrent businesses reported a profit of HK$4,281 million in 2023, as compared to HK$157 million in 2022. If the special loss provisions, being provisions for onerous contracts on Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023, and the impairment loss on Shenzhen Metro Line 4 of HK$962 million in 2022 had been excluded, our recurrent profit would have been HK$5,303 million, an increase of HK$4,184 million or 373.9%, over 2022.

Total Recurrent EBIT (before Special Loss Provisions) by Businesses

The Group's total recurrent EBIT (including share of profit of associates and joint ventures as well as project study and business development expenses but excluding the above-mentioned special loss provisions) in 2023 was HK$8,122 million, an increase of HK$5,267 million when compared to 2022. Contributions from respective businesses are as follows:

Hong Kong transport operations ("HKTO"): EBIT loss of HK$1,111 million in our transport operations represents an improvement of 76.5% when compared to the loss of HK$4,733 million recorded in 2022. This was contributed by higher revenue, but partly offset by higher operating expenses.

The revenue growth is attributable to (i) the ramp-up in Cross-boundary Service and Airport Express, and strong recovery in High Speed Rail revenue after the removal of anti-pandemic restrictions and phased reopening of links with Mainland China; (ii) the rebound in patronage from our Domestic Service as the impact of COVID-19 generally subsided; (iii) the full year impact after the opening of the East Rail Line Cross-Harbour Extension in May 2022; and (iv) the increase in average fare of our Domestic Service as a result of fare rise and changes in trip mix.

These favourable results were partially offset by (i) higher operating expenses due to higher energy tariff, inflation, enhanced train services to accommodate the increase in both domestic and visitors' patronages, and the incremental costs from the new East Rail Line Cross-Harbour Extension; (ii) higher depreciation from railway asset renewals or commissioning; and (iii) higher variable annual payment to KCRC.

Hong Kong station commercial businesses ("HKSC"): HKSC EBIT profit rebounded by HK$1,522 million or 67.0% to HK$3,792 million, mainly contributed by our Duty Free Shop rental revenue following the reopening of boundary crossing stations in early February 2023.

Rental income from station kiosks along Domestic lines also increased as a result of lower rental concessions amortised in 2023. The impact was partially offset by the overall negative rental reversions of 6.9% on renewals and new lets for station kiosks, reflecting the conservative and cautious operating environment.

Advertising revenue increased by HK$145 million or 17.3% to HK$981 million benefiting from the improved tourism and retail markets.

Hong Kong property rental and management businesses ("HKPR&M"): EBIT profit increased by HK$199 million or 5.2% to HK$3,999 million. The increase was mainly due to less rental concessions amortised during the year, as well as additional contribution from our new malls, being The Wai in July 2023 and THE SOUTHSIDE with the first phase opening in December 2023. These favourable impacts were partly offset by the overall negative rental reversion on shopping malls as the gradual recovery of the retail market was affected by the increasing trend of northbound spending. For the year, our shopping malls recorded the overall negative rental reversions of 8.4% on renewals and new lets. We launched a number of promotional campaigns on our MTR Mobile app and various targeted marketing campaigns to help drive mall traffic and stimulate spending in 2023.

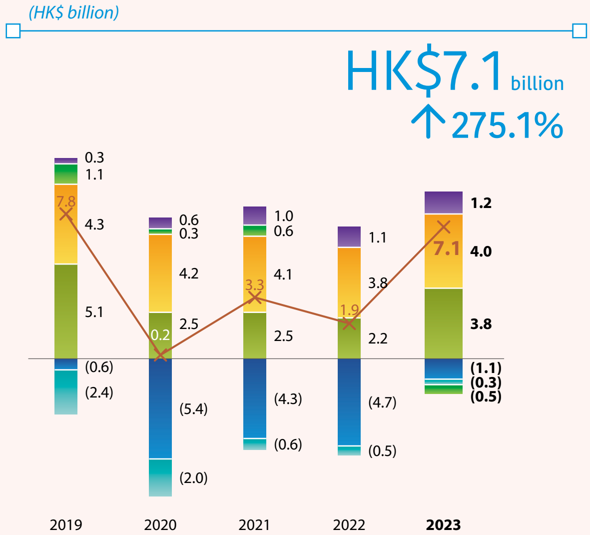
Mainland China and international railway, property rental and management subsidiaries: Except for our operations in Sweden, which still faced challenges owing to the driver shortages and maintenance issues, our Mainland China and international business subsidiaries were financially stable in 2023.

EBIT profit deteriorated by HK$438 million, or 45.5%, to HK$524 million. This was mainly attributable to the adverse impact from the challenges we faced in our Nordic businesses, and the depletion of the local government subsidies for Shenzhen Metro Line 4 in late 2022. These adverse impacts were partly mitigated by patronage recovery as the pandemic eased.

Other businesses, project study and business development expenses: EBIT loss from these businesses was HK$341 million in 2023, when compared to HK$539 million in 2022. The improvement in financial performance was due to increased visitor numbers of Ngong Ping 360.

Total Recurrent EBIT^

(HK$ billion)



× Total Recurrent EBIT

- Share of Profit of Associates and Joint Ventures
- Mainland China and International Railway, Property Rental and Management Subsidiaries
- Hong Kong Property Rental and Management Businesses
- Hong Kong Station Commercial Businesses
- Hong Kong Transport Operations
- Other Businesses, Project Study and Business Development Expenses

^ *Including share of profit of associates and joint ventures, project study and business development expenses, and provisions for onerous contracts in respect of Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023, and impairment loss on Shenzhen Metro Line 4 of HK$962 million in 2022*

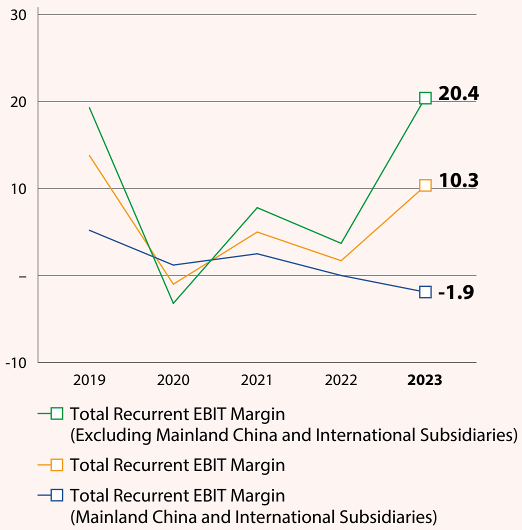
Share of profit of associates and joint ventures:
Share of profit of associates and joint ventures increased by HK$164 million or 15.0% to HK$1,259 million in 2023. The increase was mainly due to (i) the increase in profit sharing from Octopus Holdings Limited ("OHL"), which benefited from boundary reopening and improved consumer sentiment due to the lifting of social distancing policies; and (ii) improved performance in our Hangzhou and Beijing operations as patronage rebounded.

Total Recurrent EBIT Margin

Total recurrent EBIT margin had declined since 2019 as we were distressed by the public order events and the pandemic. Following the stabilisation in the number of pandemic cases, EBIT margins rebounded in 2021. Due to the fifth wave of COVID-19 in Hong Kong and other outbreaks in Mainland China, EBIT margins declined to 3.7% and 1.7% in 2022, before and after accounting for the impairment loss on Shenzhen Metro Line 4, respectively. In 2023, following the recovery from the pandemic, EBIT margins increased to 12.0% and 10.3% respectively, before and after accounting for the loss provisions on Stockholms pendeltåg and Mälartåg regional traffic in 2023, respectively.

Total Recurrent EBIT Margin#

(Percentage)



\# *Excluding share of profit of associates and joint ventures but including provisions for onerous contracts in respect of Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023, and impairment loss on Shenzhen Metro Line 4 of HK$962 million in 2022*

Interest and Finance Charges

Interest and finance charges for recurrent businesses were HK$1,213 million, representing an increase of 14.3% over 2022. This was mainly due to higher interest rate. A detailed review of the Group's financing activities is featured in the ensuing section.

Income Tax

Tax expenses for recurrent businesses were HK$1,302 million, an increase of 260.7% over 2022 due to improved financial performance.

Since the Rail Merger in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of the amortisation of upfront payment and cut-over liabilities, and fixed annual payments and variable annual payments relating to the Rail Merger (collectively "the Sums"). The total tax amount in respect of the Sums for the years of tax assessment from 2007/2008 to 2023/2024 amounted to HK$5.1 billion. As disclosed in previous years, the Inland Revenue Department of Hong Kong ("IRD") issued notices of profits tax assessments/additional profits tax assessments for the years of assessment from 2009/2010 to 2017/2018 disallowing deduction of the Sums in the computation of the Company's assessable profits. Based on the strength of advice from the external legal counsels and tax advisor, the Company has lodged objections against these tax assessments (regarding the deductibility of the Sums) and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover of the additional tax demanded subject to the purchases of tax reserve certificates ("TRCs") amounting to HK$2.3 billion. The Company has purchased the required TRCs and the additional tax demanded has been held over by IRD. The purchases of TRCs do not prejudice the Company's tax position and the purchased TRCs were included in "Debtors and Other Receivables" in the Group's consolidated statement of financial position.

On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing with the objections lodged by the Company and confirming profits tax assessment/additional profits tax assessments in respect of the Sums in dispute for the years of assessment from 2011/2012 to 2017/2018 (i.e. holding that the Sums are not deductible in the computation of the Company's assessable profits for those years of assessment). The Company re-affirmed the case with the external legal counsel who advised the Company previously and the tax advisor, and obtained further advice from another external legal counsel. Based on the advice from the external legal counsels and tax advisor, the directors of the Company believe that the Company has strong legal grounds and have determined to contest and appeal against the assessments for the years of assessment from 2011/2012 to 2017/2018. Accordingly, the Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022.

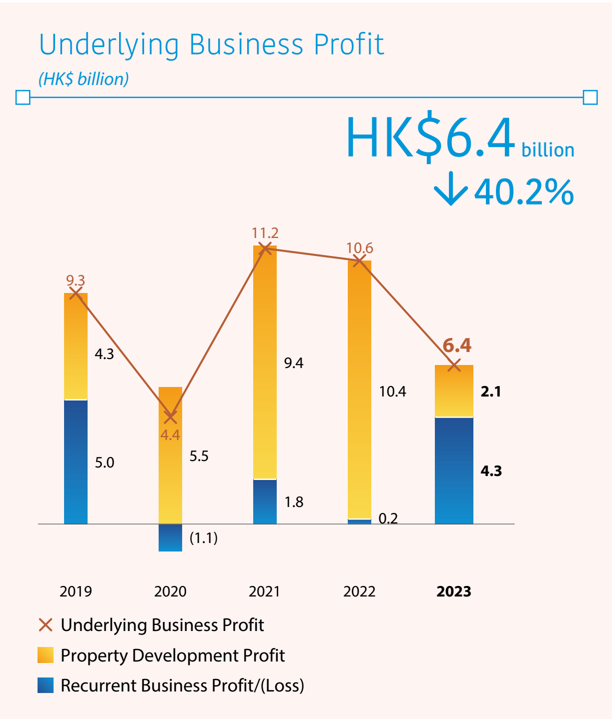
After discussing with the external legal counsels and tax advisor on the approach to the appeal, the Company decided not to pursue its deduction claims in respect of the amortisation of upfront payment and cut-over liabilities during the opening submission before Board of Review. As the Company had already made the related tax provision for the amortisation of upfront payment and cut-over liabilities in the past years taking into account the uncertainty in their tax deductibility, no additional tax provision is required. The hearing of appeal was held before the Board of Review in early 2024. As at the date of this annual report, the Board of Review has yet to hand down its decision.

Property Development Profit (Post-tax)

The Group's property development profit (post tax) was HK$2,083 million, representing a decrease of 80.1% compared to 2022. Property development profit for 2023 was mainly derived from the initial profit from LOHAS Park Package 11 and residual profits from various completed projects, whereas profits from three development projects were recognised in 2022.

Underlying Business Profit

The Group's underlying business profit was HK$6,364 million, when compared to HK$10,637 million in 2022. This was due to the decrease in Property Development Profit of HK$8,397 million but offset by the increase in Recurrent Business Profit of HK$4,124 million.



Gain from Fair Value Measurement of Investment Properties (Post-tax)

Gain from fair value measurement of investment properties was HK$1,420 million in 2023, comprising (i) a portion of gain amounting to HK$1,360 million recognised from the initial fair value measurement of our sharing-in-kind property (i.e. THE SOUTHSIDE shopping mall); and (ii) a marginal gain of HK$60 million from fair value remeasurement on investment properties.

The gain from fair value recognition of investment property of HK$1,360 million represented the receipt of our sharing-in-kind shopping mall, THE SOUTHSIDE shopping mall, after considering the outstanding risks and obligations retained in deferred income.

The fair value remeasurement on the Group's investment properties in Hong Kong and Mainland China, which were performed by independent professional valuation firms, resulted in a post-tax fair value remeasurement marginal gain of HK$60 million for the year ended 31 December 2023, compared to a post-tax fair value remeasurement loss of HK$3,076 million in 2022.

Net Profit Attributable to Shareholders of the Company

Taking into account the Group's recurrent businesses, property development businesses and fair value measurement of investment properties, the Group reported a net profit attributable to shareholders of the Company of HK$7,784 million for the year ended 31 December 2023, compared to HK$9,827 million for 2022.

CONSOLIDATED FINANCIAL POSITION

HK$ million	As at 31 December 2023	As at 31 December 2022	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Fixed Assets	**238,636**	229,491	9,145	4.0
Deferred Expenditure	**378**	2,540	(2,162)	(85.1)
Railway Construction in Progress	**4,256**	–	4,256	n/m
Property Development in Progress	**41,728**	41,269	459	1.1
Interests in Associates and Joint Ventures	**12,785**	12,338	447	3.6
Debtors and Other Receivables	**13,756**	13,889	(133)	(1.0)
Cash, Bank Balances and Deposits	**22,375**	16,134	6,241	38.7
Other Assets	**12,512**	11,420	1,092	9.6
Total Assets	**346,426**	327,081	19,345	5.9
Total Loans and Other Obligations	**59,491**	47,846	11,645	24.3
Creditors and Other Liabilities	**82,869**	74,481	8,388	11.3
Obligations Under Service Concession	**10,059**	10,142	(83)	(0.8)
Deferred Tax Liabilities	**15,151**	14,700	451	3.1
Total Liabilities	**167,570**	147,169	20,401	13.9
Net Assets	**178,856**	179,912	(1,056)	(0.6)
Represented by:				
Total Equity Attributable to Shareholders of the Company	**178,344**	179,286	(942)	(0.5)
Non-controlling Interests	**512**	626	(114)	(18.2)
Total Equity	**178,856**	179,912	(1,056)	(0.6)

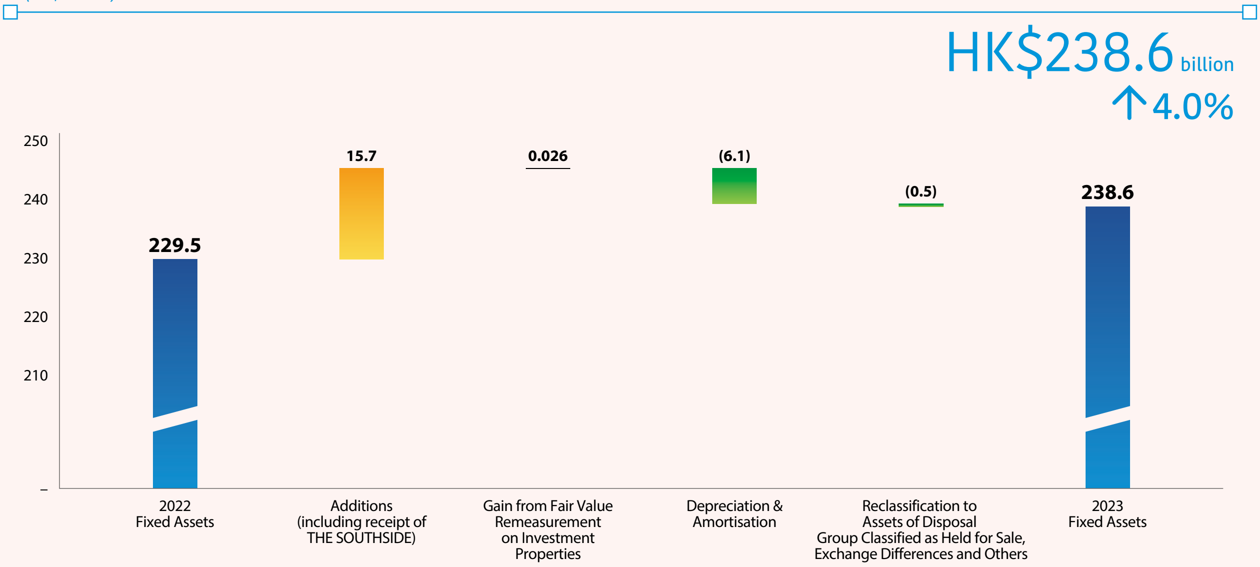
n/m : not meaningful

Fixed Assets

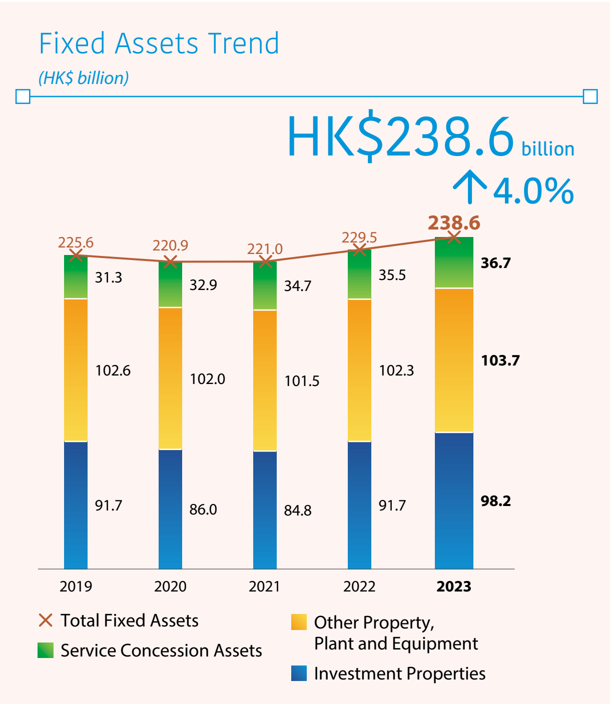
Fixed assets increased by HK$9,145 million to HK$238,636 million, mainly due to total additions of HK$15,694 million, arising from receipt of THE SOUTHSIDE as an investment property; fitting out works to our shopping malls, including The Wai and THE SOUTHSIDE; renewal and upgrade works for our existing Hong Kong railway network and investment property portfolio; and service concession assets in respect of Shenzhen Metro Line 13; as well as the gain from fair value remeasurement on our investment property portfolio of HK$26 million. These factors were partly offset by total depreciation and amortisation of HK$6,104 million for the year.

Movements in Fixed Assets

(HK$ billion)



The graph below shows the Group's fixed assets trend over the past five years.



Deferred Expenditure

Deferred expenditure decreased by HK$2,162 million to HK$378 million, mainly due to transfer of railway project costs to railway construction in progress upon execution of the project agreements with the Government.

Railway Construction in Progress

Railway construction in progress of HK$4,256 million represented the additions and transfer-in related to Tung Chung Line Extension, Tuen Mun South Extension and Kwu Tung Station. Additions related to the Oyster Bay Project were fully offset by the government grant received.

Property Development in Progress

Property development in progress increased slightly by HK$459 million to HK$41,728 million, which was predominantly due to the additions in relation to the Oyster Bay Project.

Interests in Associates and Joint Ventures

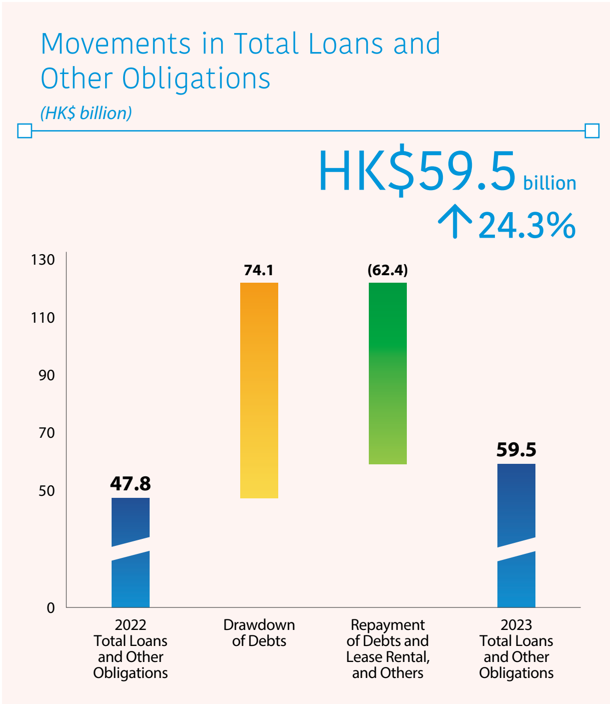
Interests in associates and joint ventures increased to HK$12,785 million, which was mainly attributable to share of profit from associates and joint ventures, net of dividend declared.

Debtors and Other Receivables

Debtors and other receivables decreased by HK$133 million to HK$13,756 million mainly due to receipts of cash in respect of the Tai Wai property development project, partly offset by increase in debtors as a result of higher revenue.

Total Loans and Other Obligations

Total loans and other obligations increased mainly due to net drawdown of loans.



Creditors and Other Liabilities

Creditors and other liabilities increased by HK$8,388 million to HK$82,869 million, which was mainly due to deferred income retained regarding a portion of the gain from the initial fair value measurement of THE SOUTHSIDE shopping mall after considering the outstanding risks and obligations relating to THE SOUTHSIDE Package 3 property development project, and the amount received in respect of our Hong Kong property development.

Total Equity

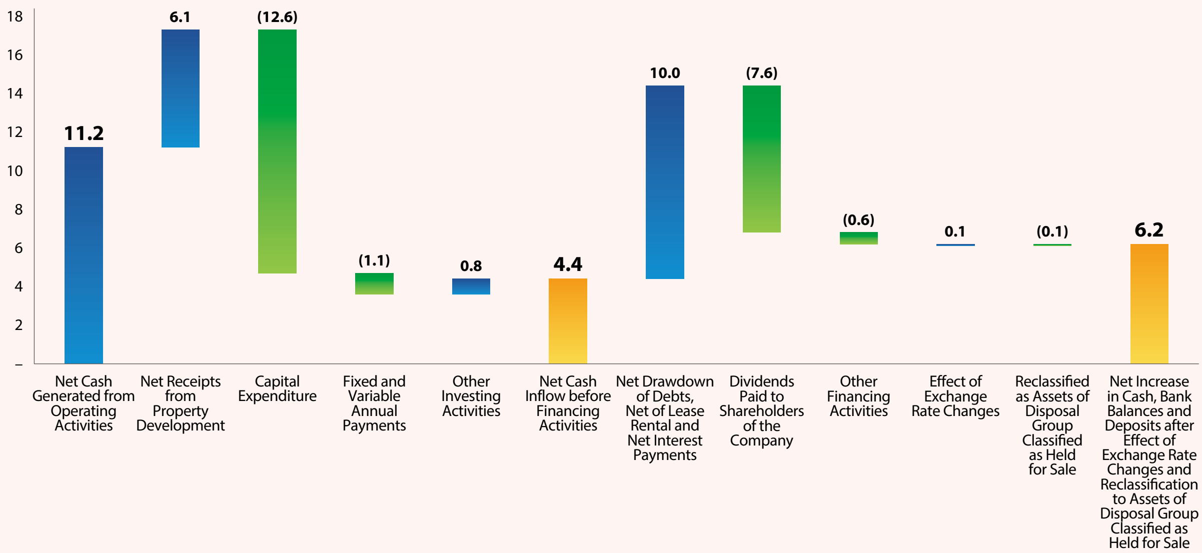
Total equity decreased slightly by HK$1,056 million to HK$178,856 million. This was mainly attributable to payments of the 2022 final and 2023 interim ordinary dividends during the year, decrease in other reserves, but offset by the net profit recorded for the year.

CONSOLIDATED CASH FLOWS

HK$ million	2023		2022	
Net Cash Generated from Operating Activities		**11,197**		6,757
Receipts in respect of Property Development	**7,109**		14,162	
Payments in respect of Property Development	**(1,007)**		(9,245)	
Net Receipts from Property Development		**6,102**		4,917
Capital Expenditure		**(12,576)**		(10,808)
Fixed Annual Payments	**(750)**		(750)	
Variable Annual Payments	**(323)**		(260)	
Fixed and Variable Annual Payments		**(1,073)**		(1,010)
Other Investing Activities		**730**		589
Net Cash Inflow before Financing Activities		**4,380**		445
Net Drawdown of Debts, and Net of Lease Rental Payments	**11,311**		4,768	
Net Interest Payments	**(1,306)**		(668)	
Net Drawdown of Debts, Net of Lease Rental and Net Interest Payments		**10,005**		4,100
Dividends Paid to Shareholders of the Company		**(7,595)**		(8,562)
Other Financing Activities		**(537)**		(109)
Increase/(Decrease) in Cash, Bank Balances and Deposits before Effect of Exchange Rate Changes and Reclassification to Assets of Disposal Group Classified as Held for Sale		**6,253**		(4,126)
Effect of Exchange Rate Changes		**82**		(710)
Reclassification to Assets of Disposal Group Classified as Held for Sale		**(94)**		–
Increase/(Decrease) in Cash, Bank Balances and Deposits after Effect of Exchange Rate Changes and Reclassification to Assets of Disposal Group Classified as Held for Sale		**6,241**		(4,836)
Cash, Bank Balances and Deposits as at 1 January		**16,134**		20,970
Increase/(Decrease) in Cash, Bank Balances and Deposits after Effect of Exchange Rate Changes and Reclassification to Assets of Disposal Group Classified as Held for Sale		**6,241**		(4,836)
Cash, Bank Balances and Deposits as at 31 December		**22,375**		16,134

Cash Flows for the Year Ended 31 December 2023

(HK$ billion)



Net Cash Generated from Operating Activities

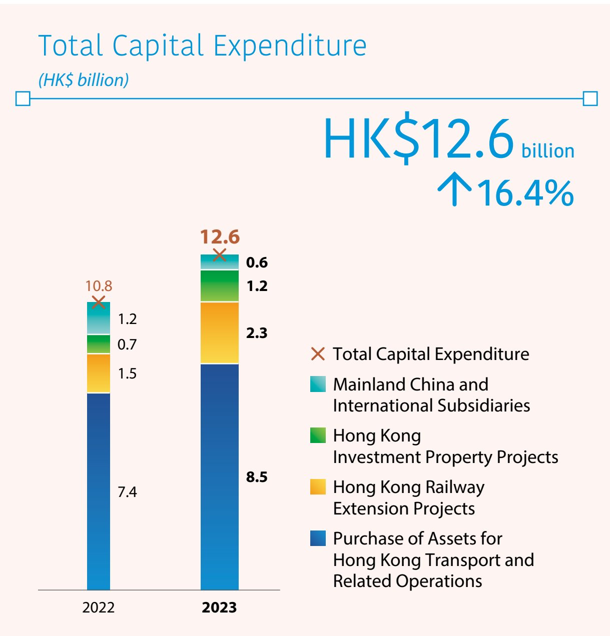
Net cash generated from operating activities increased by HK$4,440 million to HK$11,197 million in 2023 from HK$6,757 million in 2022. This resulted mainly from higher recurrent business profit due to gradual recovery from the pandemic and the reopening of rail links with Mainland China.

Net Receipts from Property Development

Net receipts from property development were HK$6,102 million, comprising (i) cash receipts of HK$7,109 million mainly from the Tai Wai Station property development project, various LOHAS Park packages and Ho Man Tin Station package, which were partially offset by (ii) cash payments of HK$1,007 million mainly for the Oyster Bay Project.

Capital Expenditure

In 2023, capital expenditure amounted to HK$12,576 million. This comprised HK$8,463 million for investments in additional assets such as station renovation works, new trains and signalling systems for existing Hong Kong railways and related operations; HK$2,309 million for Hong Kong railway extension projects; HK$1,250 million for investment properties; and HK$554 million for Mainland China and overseas subsidiaries such as Shenzhen Metro Line 13.



Net Drawdown of Debts, Net of Lease Rental and Net Interest Payments

In 2023, net drawdown of debts, net of lease rental and net interest payments of HK$10,005 million comprised (i) proceeds of HK$74,057 million from loans and capital market instruments; offset by (ii) repayment of HK$62,746 million mainly relating to loans and (iii) net interest payment of HK$1,306 million.

Dividends Paid to Shareholders of the Company

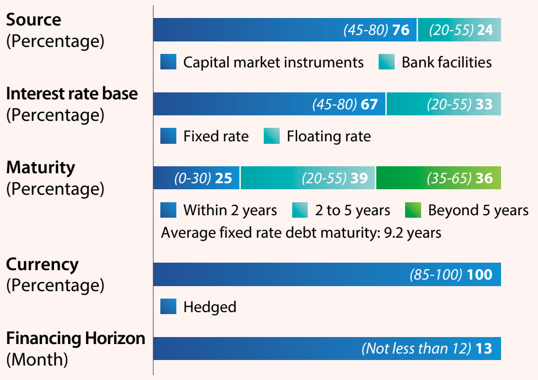
In 2023, the Group paid dividends of HK$7,595 million in cash (being the 2022 final dividend of HK$0.89 per share and the 2023 interim dividend of HK$0.42 per share), as compared to HK$8,562 million in 2022 (being the 2021 final dividend of HK$1.02 per share and the 2022 interim dividend of HK$0.42 per share). The decrease in dividend cash outflow was because the proportion of the interim dividend per share to the annual dividend per share had increased in 2022 interim.

FINANCING ACTIVITIES

Preferred Financing Model and Debt Profile

The Preferred Financing Model exemplifies the Company's approach to debt management and helps ensure a prudent and well-balanced debt portfolio

(Preferred Financing Model) vs. **Actual debt profile** as at 31 December 2023



The United States Federal Reserve hiked interest rates four times in 2023 by a total of 1.0%, bringing the Federal Funds Target Rate to a range of 5.25%-5.5% p.a. The Secured Overnight Financing Rate rose from 4.30% p.a. at the beginning of the year to 5.38% p.a. by the end of the year.

The 10-year U.S. Treasury yield started the year at 3.87% p.a., reaching a high of 4.99% p.a. in October before falling back to 3.88% p.a. by the end of the year.

Although the 3-month HKD Hibor appeared to rise modestly from 4.99% p.a. at the beginning of the year to 5.15% p.a. by the end of the year, the average rate for the full year increased more significantly from 2.15% p.a. in 2022 to 4.63% p.a. in 2023. Similar to the 10-year U.S. Treasury yield, the HKD 10-year swap rate started the year at 3.86% p.a. and reached a high of 4.72% p.a. in October before falling back to 3.36% p.a. by the end of the year. Taking advantage of the dips in the 10-year swap rate and the inverted yield curve, the Company entered into several interest rate swaps to lock in longer tenor interest rates for its debt portfolio.

In 2023, the Company arranged approximately HK$22.6 billion in financing, comprising HK$16.1 billion in MTN issuances with maturities ranging from one to five years and HK$6.5 billion in bank loans with tenors ranging from two to five years. Approximately HK$1.3 billion of the financing was arranged under our Sustainable Finance Framework, with proceeds earmarked for eligible investments.

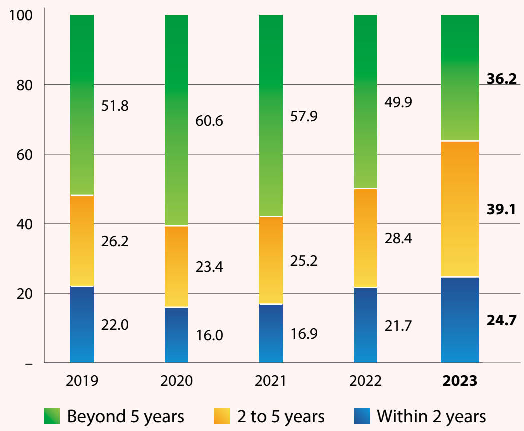
The Group's consolidated gross debt position at the end of 2023 was HK$59.5 billion, with a cash and deposit balance of HK$22.4 billion and undrawn committed facilities of over HK$18 billion.

Maturity Profile

The graph below shows the maturity profiles of the Company's interest-bearing borrowings at year-end 2019-2023. The spread of the maturities of the Company's borrowings helps diversify the refinancing risk of the Company.

Maturity Profile

(Percentage)

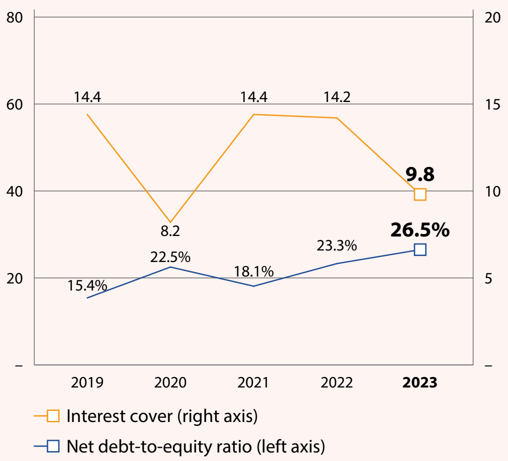


Net Debt-to-equity Ratio and Interest Cover

The Group's net debt-to-equity ratio increased by 3.2 percentage points to 26.5% at year-end 2023 from 23.3% at year-end 2022, mainly due to an increase in net debt for capital expenditures for new railway projects. The Group's interest cover decreased from 14.2 times in 2022 to 9.8 times in 2023.

The graph below shows the level of leverage and our ability to meet interest payment obligations over the past five years.

Net Debt-to-equity Ratio and Interest Cover

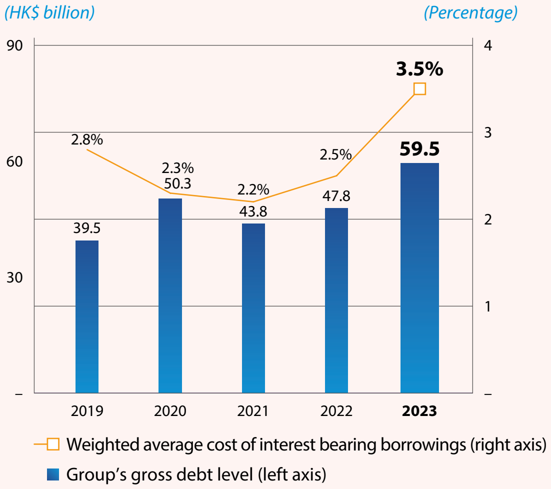


Cost of Borrowing

The Group's consolidated gross debt position increased to HK$59,491 million as at year-end 2023 from HK$47,846 million at year-end 2022. The weighted average cost of the Group's interest-bearing borrowings increased to 3.5% p.a. in 2023 from 2.5% p.a. in 2022, mainly due to higher average cost of floating rate borrowing resulting from higher HKD Hibor.

The diagram below shows the Group's gross debt level and weighted average cost of interest-bearing borrowings.

Group's Gross Debt Level and Weighted Average Cost of Interest-bearing Borrowings



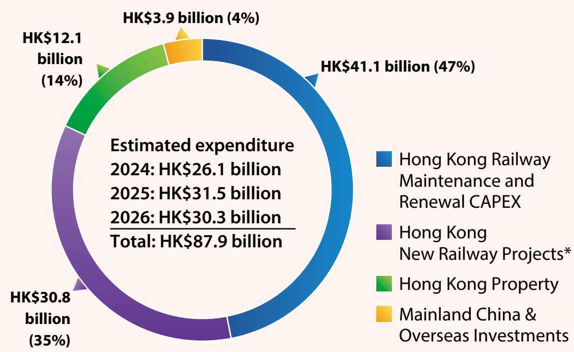
Capital Expenditure and Investment

The Group's capital expenditure and investment can be categorised into the following: Hong Kong railway projects (further classified into maintenance work for existing railways and new projects), Hong Kong property investment and development, and Mainland China and overseas investment. Total spending from 2024 to 2026 is estimated at around HK$87.9 billion.

Capital expenditure on Hong Kong railway projects will continue to constitute a significant portion of capital expenditure in 2024-2026, following the signing of project agreements for the Oyster Bay project, Tung Chung Line Extension, Tuen Mun South Extension and Kwu Tung Station. The capital works expenditure and funding terms of the other RDS 2014 projects can only be ascertained after entering into the relevant project agreements with Government.

The Group believes that, based on its cash, bank balances and deposits of more than HK$22 billion, total available committed banking facilities of more than HK$18 billion as at 31 December 2023, and ready access to both the loan and debt capital markets, it will have sufficient financing capacity to fund its capital expenditure and investment programme.

Capital Expenditure and Investment (2024–2026)



* *Including planning and design CAPEX, but excluding related construction CAPEX of new railway projects that are subject to the signing of project agreements*

Credit Ratings (as of 7 March 2024)

Credit ratings	Short-term*	Long-term*
Standard & Poor's	A-1+/A-1+	AA+/AA+
Moody's	–/P-1	Aa3/Aa3
Rating & Investment Information, Inc. (R&I)	a–1+	AA+

* *Ratings for Hong Kong dollar/ foreign currency – denominated debts respectively*

TEN-YEAR STATISTICS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Financial										
Consolidated Profit or Loss *(in HK$ million)*										
Total revenue										
– Hong Kong transport services										
– Hong Kong transport operations	**20,131**	13,404	13,177	11,896	19,938	19,490	18,201	17,655	16,916	16,223
– Hong Kong station commercial businesses	**5,117**	3,077	3,208	3,269	6,799	6,458	5,975	5,544	5,380	4,963
– Total Hong Kong transport services	**25,248**	16,481	16,385	15,165	26,737	25,948	24,176	23,199	22,296	21,186
– Hong Kong property rental and management businesses	**5,079**	4,779	5,036	5,054	5,137	5,055	4,900	4,741	4,533	4,190
– Mainland China and international railway, property rental and management subsidiaries	**25,955**	26,016	25,045	21,428	21,085	20,877	17,194	13,562	12,582	12,627
– Other businesses	**700**	363	383	894	1,545	1,990	2,174	2,339	2,290	2,153
– Recurrent businesses	**56,982**	47,639	46,849	42,541	54,504	53,870	48,444	43,841	41,701	40,156
– Mainland China property development	**–**	173	353	–	–	60	6,996	1,348	–	–
– Total	**56,982**	47,812	47,202	42,541	54,504	53,930	55,440	45,189	41,701	40,156
Total EBITDA										
– Recurrent businesses	**15,323**	7,852	8,019	5,194	15,351	18,843	17,677	16,947	16,260	15,478
– Hong Kong property development	**2,329**	11,589	11,097	6,491	4,496	2,574	1,097	228	2,891	4,216
– Mainland China property development	**(13)**	59	129	(13)	(25)	25	2,314	366	(140)	(55)
– Total	**17,639**	19,500	19,245	11,672	19,822	21,442	21,088	17,541	19,011	19,639
Depreciation and amortisation	**(6,105)**	(5,769)	(5,430)	(5,365)	(5,237)	(4,985)	(4,855)	(4,127)	(3,849)	(3,485)
Provisions for onerous contracts and impairment loss	**(1,022)**	(962)	–	–	–	–	–	–	–	–
Variable annual payment	**(2,355)**	(323)	(260)	(238)	(2,583)	(2,305)	(1,933)	(1,787)	(1,649)	(1,472)
Total EBIT										
– Recurrent business EBIT										
EBIT										
Hong Kong transport services										
– Hong Kong transport operations	**(1,111)**	(4,733)	(4,262)	(5,408)	(591)	1,985	1,656	2,572	2,493	2,710
– Hong Kong station commercial businesses	**3,792**	2,270	2,488	2,502	5,122	5,025	4,722	4,362	4,230	3,927
Total Hong Kong transport services	**2,681**	(2,463)	(1,774)	(2,906)	4,531	7,010	6,378	6,934	6,723	6,637
Hong Kong property rental and management businesses	**3,999**	3,800	4,048	4,185	4,264	4,225	4,082	3,912	3,650	3,427
Mainland China and international railway, property rental and management subsidiaries*	**524**	962	622	261	1,089	722	814	490	640	782
Other businesses	**56**	(213)	(255)	(1,670)	(2,077)	(81)	(53)	58	53	129
Project studies and business development expenses	**(397)**	(326)	(312)	(279)	(276)	(323)	(332)	(361)	(304)	(454)
Provisions for onerous contracts and impairment loss	**(1,022)**	(962)	–	–	–	–	–	–	–	–
Share of profit of associates and joint ventures	**1,259**	1,095	968	605	288	658	494	537	361	121
Sub-total	**7,100**	1,893	3,297	196	7,819	12,211	11,383	11,570	11,123	10,642
– Property development business EBIT	**2,316**	11,648	11,226	6,478	4,471	2,599	3,411	592	2,751	4,161
– Total	**9,416**	13,541	14,523	6,674	12,290	14,810	14,794	12,162	13,874	14,803
Gain/(loss) from fair value measurement of investment properties	**1,386**	(810)	(1,616)	(9,190)	2,583	4,745	6,314	891	2,100	4,035
Profit/(loss) attributable to shareholders of the Company arising from:										
– Recurrent businesses										
– in Hong Kong	**4,940**	384	979	(1,537)	4,455	8,460	7,949	8,717	8,352	8,185
– outside Hong Kong	**(659)**	(227)	829	411	525	560	631	199	213	(161)
	4,281	157	1,808	(1,126)	4,980	9,020	8,580	8,916	8,565	8,024
– Property development businesses										
– in Hong Kong	**2,035**	10,413	9,277	5,442	4,320	2,153	916	184	2,416	3,584
– outside Hong Kong	**48**	67	66	65	49	90	1,019	263	(87)	(37)
	2,083	10,480	9,343	5,507	4,369	2,243	1,935	447	2,329	3,547
– Underlying businesses	**6,364**	10,637	11,151	4,381	9,349	11,263	10,515	9,363	10,894	11,571
– Fair value measurement of investment properties	**1,420**	(810)	(1,599)	(9,190)	2,583	4,745	6,314	891	2,100	4,035
– Total	**7,784**	9,827	9,552	(4,809)	11,932	16,008	16,829	10,254	12,994	15,606
Profit/(loss) for the year	**8,088**	10,141	9,679	(4,821)	12,092	16,156	16,885	10,348	13,138	15,797
Share Information										
Basic earnings/(loss) per share *(in HK$)*	**1.26**	1.59	1.55	(0.78)	1.94	2.64	2.83	1.74	2.22	2.69
Basic earnings per share arising from underlying businesses *(in HK$)*	**1.03**	1.72	1.80	0.71	1.52	1.86	1.77	1.59	1.87	1.99
Ordinary dividend per share *(in HK$)*	**1.31**	1.31	1.27	1.23	1.23	1.20	1.12	1.07	1.06	1.05
Dividend payout ratio (based on underlying business profit) *(in %)*	**127**	76	71	173	81	65	63	67	57	53
Ordinary dividend proposed and declared *(in HK$ million)*	**8,143**	8,124	7,865	7,602	7,574	7,359	6,728	6,317	6,207	6,116
Share price at 31 December *(in HK$)*	**30.30**	41.35	41.85	43.35	46.05	41.20	45.80	37.70	38.40	31.80
Market capitalisation at 31 December *(in HK$ million)*	**188,381**	256,455	259,196	267,943	283,574	252,947	275,156	222,629	224,956	185,284
Consolidated Financial Position *(in HK$ million)*										
Total assets	**346,426**	327,081	292,082	290,574	289,214	274,687	263,768	257,340	241,103	227,152
Loans, other obligations and bank overdrafts	**59,491**	47,846	43,752	50,340	39,456	40,205	42,043	39,939	20,811	20,507
Obligations under service concession	**10,059**	10,142	10,231	10,295	10,350	10,409	10,470	10,507	10,564	10,614
Total equity attributable to shareholders of the Company	**178,344**	179,286	179,714	176,788	186,606	180,447	166,304	149,461	170,055	163,325
Financial Ratios										
EBITDA margin◊ *(in %)*	**26.9**	16.5	17.3	12.2	28.1	35.0	36.1	38.3	38.7	38.4
EBITDA margin◊ (excluding Mainland China and international subsidiaries) *(in %)*	**45.9**	30.5	32.7	22.1	42.0	54.5	53.5	54.0	53.3	53.1
EBIT marginφ *(in %)*	**10.2**	1.8	5.2	(1.0)	13.8	21.5	23.8	25.2	25.5	26.1
EBIT marginφ (excluding Mainland China and international subsidiaries) *(in %)*	**20.4**	3.7	7.8	(3.2)	19.3	32.8	32.2	34.8	34.8	35.4
Net debt-to-equity ratio *(in %)*	**26.5**	23.3	18.1	22.5	15.4	18.1	20.6	20.2	11.3	7.6
Return on average equity attributable to shareholders of the Company arising from underlying businesses *(in %)*	**3.6**	5.9	6.3	2.4	5.1	6.5	6.7	5.9	6.5	7.3
Interest cover *(times)* **	**9.8**	14.2	14.4	8.2	14.4	13.6	15.0	12.6	14.4	15.2

* *Excluding special loss provisions, being provisions for onerous contracts made for Stockholms pendeltåg and Mälartåg regional traffic totalling HK$1,022 million in 2023 and impairment loss made for Shenzhen Metro Line 4 of HK$962 million in 2022.*

◊ *Excluding Hong Kong property development profit from share of surplus, income and interest in unsold properties.*

φ *Excluding Hong Kong property development profit from share of surplus, income and interest in unsold properties, and share of profit of associates and joint ventures.*

** *Excluding fair value measurement of investment properties.*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Hong Kong Transport Operations										
Revenue car-km operated *(thousand)*										
Domestic and Cross-boundary services	**291,212**	265,209	268,050	268,492	301,552	308,742	301,541	287,828	284,487	273,771
Airport Express	**19,681**	12,328	10,165	12,631	22,971	23,190	23,202	23,276	23,242	23,232
Light Rail	**10,316**	9,727	10,245	10,385	10,592	11,139	11,145	11,152	11,034	10,728
Total number of passengers *(thousand)*										
Domestic Service	**1,586,646**	1,334,591	1,421,737	1,145,035	1,568,196	1,669,973	1,637,898	1,586,522	1,577,457	1,547,757
Cross-boundary Service	**71,518**	429	486	7,647	104,183	117,448	112,549	113,274	114,241	113,049
High Speed Rail	**20,100@@**	–	–	1,033	16,923	5,302@	–	–	–	–
Airport Express	**10,843**	3,102	2,150	3,070	15,764	17,710	16,621	16,133	15,725	14,881
Light Rail	**150,002**	131,715	141,581	111,865	155,885	179,411	178,502	178,709	176,149	174,199
Bus	**57,693**	48,230	50,380	42,077	51,484	51,025	50,744	50,413	50,537	50,404
Intercity	**–**	–	–	103	1,880	3,630	3,698	3,739	4,080	4,348
Average number of passengers *(thousand)*										
Domestic Service – weekday average	**4,670**	3,920	4,189	3,406	4,658	4,862	4,772	4,608	4,577	4,490
Cross-boundary Service – daily average	**196**	1	1	21	285	322	308	309	313	310
High Speed Rail – daily average	**57@@**	–	–	36#	46	53@	–	–	–	–
Airport Express – daily average	**30**	8	6	8	43	49	46	44	43	41
Light Rail – weekday average	**434**	377	403	317	448	506	503	500	493	487
Bus – weekday average	**168**	139	145	121	151	147	146	144	145	144
Intercity – daily average	**–**	–	–	4#	5	10	10	10	11	12
Average passenger km travelled										
Domestic and Cross-boundary services	**11.1**	10.7	10.5	10.5	10.6	10.8	10.8	10.9	11.0	11.0
Airport Express	**27.6**	25.3	23.7	25.8	28.2	28.3	28.5	28.4	28.4	28.6
Light Rail	**2.6**	2.6	2.7	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Bus	**5.6**	4.5	4.5	4.1	4.5	4.5	4.5	4.5	4.5	4.5
Average car occupancy *(number of passengers)*										
Domestic and Cross-boundary services	**63**	54	56	45	59	62	63	64	65	67
Airport Express	**15**	6	5	6	19	22	20	20	19	18
Light Rail	**38**	36	37	30	40	44	44	44	44	45
Proportion of franchised public transport boardings *(%)*	**50.1**	48.3	47.3	45.3	47.4	49.0&	49.1	48.4	48.5	48.1
HK$ per car-km operated *(Hong Kong Transport Operations***)*										
Total revenue	**53.6**	40.8	40.0	35.6	51.7	53.4	52.5	53.0	51.3	51.0
Operating costs	**34.3**	36.0	34.4	33.3	33.0	28.2	28.5	27.7	27.2	26.8
Operating profit	**19.3**	4.8	5.6	2.3	18.7	25.2	24.0	25.3	24.1	24.2
HK$ per passenger carried *(Hong Kong Transport Operations***)*										
Total revenue	**9.39**	7.91	7.31	8.11	9.40	9.26	9.10	9.06	8.73	8.52
Operating costs	**6.00**	6.98	6.28	7.60	5.99	4.89	4.93	4.73	4.63	4.47
Operating profit	**3.39**	0.93	1.03	0.51	3.41	4.37	4.17	4.33	4.10	4.05
Safety Performance										
Domestic Service, Cross-boundary Service and Airport Express										
Number of reportable events^	**1,220**	823	760	656	1,164	1,056	1,148	1,134	1,246	1,327
Reportable events per million passengers carried^	**0.73**	0.62	0.53	0.57	0.69	0.58	0.65	0.66	0.73	0.79
Number of staff and contractors' staff accidents∆	**52**	59	56	51	81	50	46	61	64	57
Light Rail										
Number of reportable events^	**65**	57	62	80	163	87	104	191	157	122
Reportable events per million passengers carried^	**0.43**	0.43	0.44	0.72	1.05	0.48	0.58	1.07	0.89	0.70
Number of staff and contractors' staff accidents∆	**5**	6	5	10	8	2	5	8	6	4
Employees										
Hong Kong										
Corporate management and support departments	**2,166**	1,952	1,923	1,852	1,899	1,932	1,882	1,837	1,792	1,756
Station commercial businesses	**206**	186	188	224	234	204	191	192	182	170
Transport operations	**11,728**	11,492	11,688	11,983	12,211	11,948	11,591	11,349	10,891	10,404
Capital works	**1,497**	1,428	1,335	1,426	1,531	1,711	2,144	2,615	2,684	2,764
Property and other businesses	**1,634**	1,551	1,528	1,548	1,549	1,500	1,440	1,416	1,384	1,350
Mainland China and international businesses	**174**	195	201	255	318	331	276	230	194	180
Outside of Hong Kong										
Employees outside of Hong Kong	**16,000**	15,504	15,105	16,921	16,521	14,270	10,781	9,866	8,157	7,530
Total	**33,405**	32,308	31,968	34,209	34,263	31,896	28,305	27,505	25,284	24,154

@ *High Speed Rail service commenced on 23 September 2018. The number of passengers only counts the days from 23 September 2018 to 31 December 2018.*

@@ *High Speed Rail service resumed on 15 January 2023. The number of passengers only counts the days from 15 January 2023 to 31 December 2023.*

\# *Average of 1 to 29 January 2020.*

& *Market share for 2018 was rebased to reflect the impact on the opening of Hong Kong – Zhuhai – Macao Bridge.*

*** *Does not include the High Speed Rail service.*

^ *Reportable events are occurrences affecting railway premises, plant and equipment, or directly affecting persons (with or without injuries), that are reportable to the Secretary for Transport and Logistics and Director of Electrical and Mechanical Service, Government of the Hong Kong SAR under the Mass Transit Railway Regulations, ranging from suicides/attempted suicides, trespassing onto tracks, to accidents on escalators, lifts and moving paths.*

∆ *Any accident connected with the operation of the railway or with the maintenance thereof, which is notifiable to Railway Branch, Electrical & Mechanical Services Department according to Mass Transit Railway Regulations, as a result of which an employee of the Corporation or of a contractor with the Corporation is suffering 'fatal injury', 'serious injury', or unable to fully carry out his / her normal duties for a period exceeding 3 days immediately after the accident.*

INVESTOR RELATIONS

MTR has been participating in international capital markets for about 45 years. Over this time, we have developed a reputation as a leader in investor relations with high standards of corporate governance and disclosure. We believe in enhancing shareholder value through clear, transparent and proactive communication of our strategies, business development and future, and we prioritise the regular engagement of institutional and retail investors.

COMMUNICATING WITH INVESTORS

Our continuous engagement with the investment community has made MTR one of the most widely covered listed companies in Hong Kong. We are followed by many international and local brokers, research analysts, and a wide range of institutional investors.

MTR management makes every effort to ensure that investors have a thorough understanding of the Company's business. In 2023, we held approximately 200 meetings with institutional investors and analysts globally.

The Company's Annual General Meeting ("AGM") is one of its principal channels of communication with shareholders. Further details on the 2023 AGM are set out in the "Annual General Meeting" section of the "Corporate Governance Report" on pages 128 to 129 of this Annual Report.

ACCESS TO INFORMATION

Our corporate website provides investors with equal and timely access to Company information. The Investor Information section provides details on our financial performance in readily accessible form. Financial reports, patronage figures, other Company news and Stock Exchange filings are all accessible on the website.

INDEX LISTING AND RECOGNITIONS

MTR's shares have been listed on the Stock Exchange of Hong Kong since 2000, and the Company has been included as a Hang Seng Index constituent stock since 2001.

Our Annual Report achieves considerable recognition each year for presenting a clear picture of the Company's performance and strategy. These are listed in the "Key Awards" section on page 7 of this Annual Report.

SHARE PRICE PERFORMANCE

FINANCIAL CALENDAR 2024

Announcement of 2023 annual results	7 March
Annual General Meeting	22 May
Ex-dividend date for 2023 final dividend	24 May
Book closure period for 2023 final dividend	28 May to 31 May
2023 final dividend payment date	16 July
Announcement of 2024 interim results	August
Ex-dividend date for 2024 interim dividend	August
2024 interim dividend payment date	October
Financial year end	31 December

DIVIDEND INFORMATION

Dividend per Share

	(in HK$)
2022 Total Ordinary Dividend	1.31
2023 Interim Ordinary Dividend	0.42
2023 Final Ordinary Dividend	0.89

Dividend history can be found in the "Ten-Year Statistics" section on page 94 of this Annual Report and our corporate website.

Dividend Policy

The Company has a progressive ordinary dividend policy. The aim of this policy is to steadily increase or at least maintain the Hong Kong dollar value of ordinary dividends per share annually. In setting the proposed level of dividend payable in respect of any period, the Board considers, inter alia, the financial performance and future funding needs of the Company.

SHAREHOLDINGS AS AT 31 DECEMBER 2023

Ordinary Shares

Shares outstanding	6,217,197,282 shares
Hong Kong SAR Government Shareholding	4,634,173,932 shares (74.54%)
Free float	1,583,023,350 shares (25.46%)

Market Capitalisation

As at 31 December 2023	HK$ 188,381 million

SHARE INFORMATION

Stock Codes

The Stock Exchange of Hong Kong	66
Reuters	0066.HK
Bloomberg	66 HK Equity

CONTACTS

Shareholder Services

Any matters relating to your shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Registrar:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

Telephone: (852) 2862 8628
Facsimile: (852) 2529 6087
Website: https://www.computershare.com/hk/en

Shareholder Enquiries

Shareholders are, at any time, welcome to raise questions and request information (to the extent it is publicly available) from the Board and management by writing to the Company Secretary, MTR Corporation Limited, MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong. Any such letter from the Shareholders should be marked "Shareholders' Communications" on the envelope.

Our enquiry hotline is operational during normal office hours:
Telephone: (852) 2881 8888

Investor Relations

For enquiries from institutional investors and securities analysts, please contact:

Investor Relations Department, MTR Corporation Limited
MTR Headquarters Building, Telford Plaza, Kowloon Bay,
Kowloon, Hong Kong

Email: investor@mtr.com.hk

Annual Report 2023

Shareholders can obtain copies of our annual report by writing to:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

If you are not a shareholder, please write to:
Corporate Affairs Department, MTR Corporation Limited
MTR Headquarters Building, Telford Plaza, Kowloon Bay,
Kowloon, Hong Kong

Our annual/interim reports and accounts are also available online at our corporate website.

Principal Place of Business and Registered Office

MTR Corporation Limited, incorporated and domiciled in Hong Kong.
MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong

Telephone: (852) 2993 2111
Facsimile: (852) 2798 8822

CORPORATE GOVERNANCE REPORT

Strong governance is critical for the Company in achieving its vision and fulfilling its purpose, and doing so in a way that delivers long term sustainable value for all of its stakeholders. This Report describes the corporate governance best practices that the Company has adopted and highlights how the Company has applied the principles of the code provisions set out in Appendix C1 (Corporate Governance Code) to the Listing Rules (the "CG Code").

The Board has the overall responsibility for effective corporate governance and for ensuring that the Company's governance framework (which is described in this Report) enables it to oversee and address environmental and social issues that are material to the operations and businesses of the Company. The Environmental & Social Responsibility Committee has strategic oversight of the Company's environmental and social strategy and is also responsible for tracking performance against the Company's environmental and social commitments and reporting to the Board on these issues. For details of its principal responsibilities and the work performed during the year, please refer to pages 104 to 105 of this Report.

To keep its stakeholders abreast of the Company's initiatives and performance in the environmental and social arenas, a separate Sustainability Report is published on an annual basis. The Sustainability Report complies with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules, has been prepared in accordance with the Global Reporting Initiative Reporting Standards, and makes reference to various international reporting guidelines and requirements, including the International Association of Public Transport (UITP) Sustainability Reporting Guide, ISO 26000 Guidance on Social Responsibility and the World Economic Forum's (WEF) Stakeholder Capitalism Metrics. The Company also discloses climate-related information in line with the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD). The Company's Sustainability Report 2023 covering the period from 1 January to 31 December 2023 is available, together with this Annual Report, on the websites of both the Company (www.mtr.com.hk) and the Stock Exchange.

The Company also issues an annual Sustainable Finance Report, which is available on the Company's website (www.mtr.com.hk) and responds to CDP (previously the Carbon Disclosure project) on climate related risks, opportunities and disclosures.

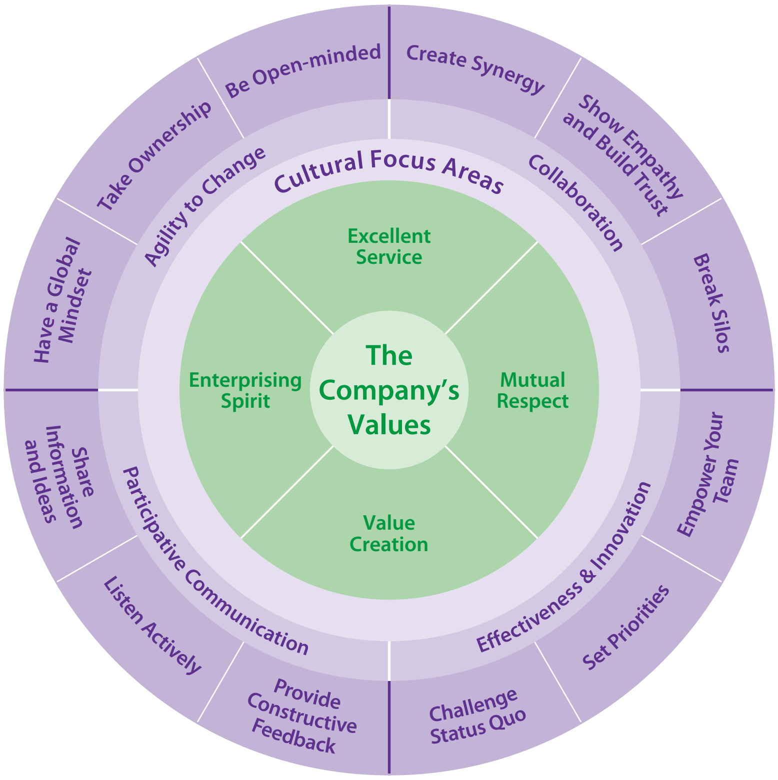
VISION, PURPOSE, CORPORATE STRATEGY, VALUES AND CULTURE

The Company's vision is to be an internationally recognised company that connects and grows communities with caring, innovative and sustainable services.

To safeguard the long-term prospects of the Company, the new Corporate Strategy – "Transforming the Future" (the "Corporate Strategy"), as adopted by the Board in mid-2020, is being implemented by the Executive Directorate, with periodic reports to the Board. The Corporate Strategy establishes clear business priorities and environmental and social goals with a view to maintaining competitiveness and driving the sustainability of the Company's businesses, as well as creating healthy, long-term symbiotic relationships with the communities in which the Company operates. With a clearly defined purpose of "keeping cities moving", the Corporate Strategy defines a more fit-for-future organisation with a strengthened Hong Kong core, steady growth in Mainland China and internationally and powerful new growth engines – three strategic pillars so that the Company can stay competitive in a fast-changing business environment.

The Corporate Strategy is underpinned by a set of values (Excellent Service, Mutual Respect, Value Creation and Enterprising Spirit), which help to provide all staff with a clear indication of what is expected from them, from both a performance and a competency perspective. To foster a corporate culture which is aligned with the Company's vision, purpose, strategy and values, and align the mindsets and behaviours of staff to support the delivery of the Corporate Strategy, the Company has established four cultural focus areas and associated attributes.

The alignment of the Company's values with cultural focus areas (and their associated attributes) is illustrated in the diagram below:



During the year ended 31 December 2023, the Board has regularly reviewed the progress of the implementation of the Corporate Strategy and the associated enablers, both financial and non-financial. A Board Strategy Day was also organised to discuss how the respective businesses are navigating towards the Company's strategic goals.

To continue promoting the desired corporate culture, a series of actions have been undertaken by the Company during the year including:

- demonstrating "participative communication" across different levels through townhalls, Management site visits and focus groups organised within the Company. Senior leaders took these opportunities to actively listen and provide and/or share immediate feedback to/with colleagues and at the same time promote "agility to change" and "collaboration";
- enabling "effectiveness & innovation" by promoting automation, digitalisation and technology transformation across the Company. During the year, various facilities of the Company have been upgraded such as certain offices and station mess rooms and the WiFi coverage for more than 100 frontline work locations was expanded;
- providing regular training sessions to strengthen different aspects of the corporate culture, with over 3,900 participants attending in 2023; and
- building up cultural awareness on an on-going basis through (a) the Living the MTR Values Award Scheme which aims at honouring a multitude of colleagues from different functions who have lived out the Company's values in their day to day work; and (b) the MTR Grand Awards for Outstanding Contribution to recognise individuals and teams who have displayed exemplary performance or behaviour in line with the Company's culture and values.

The Company has also continued to embed its Environmental and Social ("E&S") Objectives and the three lines of defence model into its daily operations. On the E&S front, a set of Key Performance Indicators (KPIs) has been developed, consisting of short-, mid- and long-term initiatives to gauge and drive the Company's performance under its three E&S Objectives: (i) Social Inclusion; (ii) Greenhouse Gas Emissions Reduction; and (iii) Advancement and Opportunities, further details of which are set out in the Sustainability section of the Company's website (www.mtr.com.hk).

For more details about the Company's approach to human capital management, including how the corporate culture is nurtured, as well as how the Company approaches equal employment opportunities and diversity and inclusion, please refer to the Sustainability Report 2023.

CORPORATE GOVERNANCE PRACTICES

Corporate governance is the collective responsibility of the Members of the Board and the Board firmly believes that good corporate governance is fundamental in ensuring the proper management of the Company in the interests of all of its stakeholders. The Board actively seeks opportunities for continuous improvement in the area of corporate governance and takes prompt action in responding to identified improvement opportunities.

The Company continues to monitor developments in the arena of corporate governance externally to ensure the suitability and robustness of its corporate governance framework in light of the evolving business and regulatory environment and to meet the expectations of stakeholders.

CORPORATE GOVERNANCE CODE COMPLIANCE

During the year ended 31 December 2023, the Company has complied with the code provisions as set out the CG Code. In the following corporate governance areas, the Company's practices have exceeded the relevant CG Code/Listing Rules requirements:

Corporate Governance Areas	Details of Exceedance by the Company
Number of Independent Non-executive Directors ("INED")	The number of INEDs represents more than two-thirds of the Board, which exceeds the independence requirement under the Listing Rules
Number of INEDs in Audit & Risk Committee	The Audit & Risk Committee consists of five INEDs, which exceeds the independence requirement under the Listing Rules
Number of Regular Board Meetings	The Company holds seven Regular Board Meetings each year and Special Board Meetings are held as and when required, which exceeds the requirement under the CG Code
Notice of Regular Board Meetings	The dates of Regular Board Meetings for the following year are usually fixed in the third quarter of the preceding year
Model Code Confirmation	• Confirmation of Compliance with the Model Code is obtained from each Director and Model Code Manager (as defined under the section "Model Code for Securities Transactions by Directors of Listed Issuers") every half-year • An electronic platform has been established to give one-stop access to the relevant key processes to support compliance with the Model Code
Evaluation of the Effectiveness of Risk Management System	• The Company reviews not only the effectiveness of the risk management system of the Company and its subsidiaries, but also that of its key associates operating in Mainland China and overseas • The Company has established a risk-based three lines of defence framework to ensure appropriate focus is applied to relevant risks and provide recommendations to address identified gaps and inefficiencies

THE BOARD OF DIRECTORS

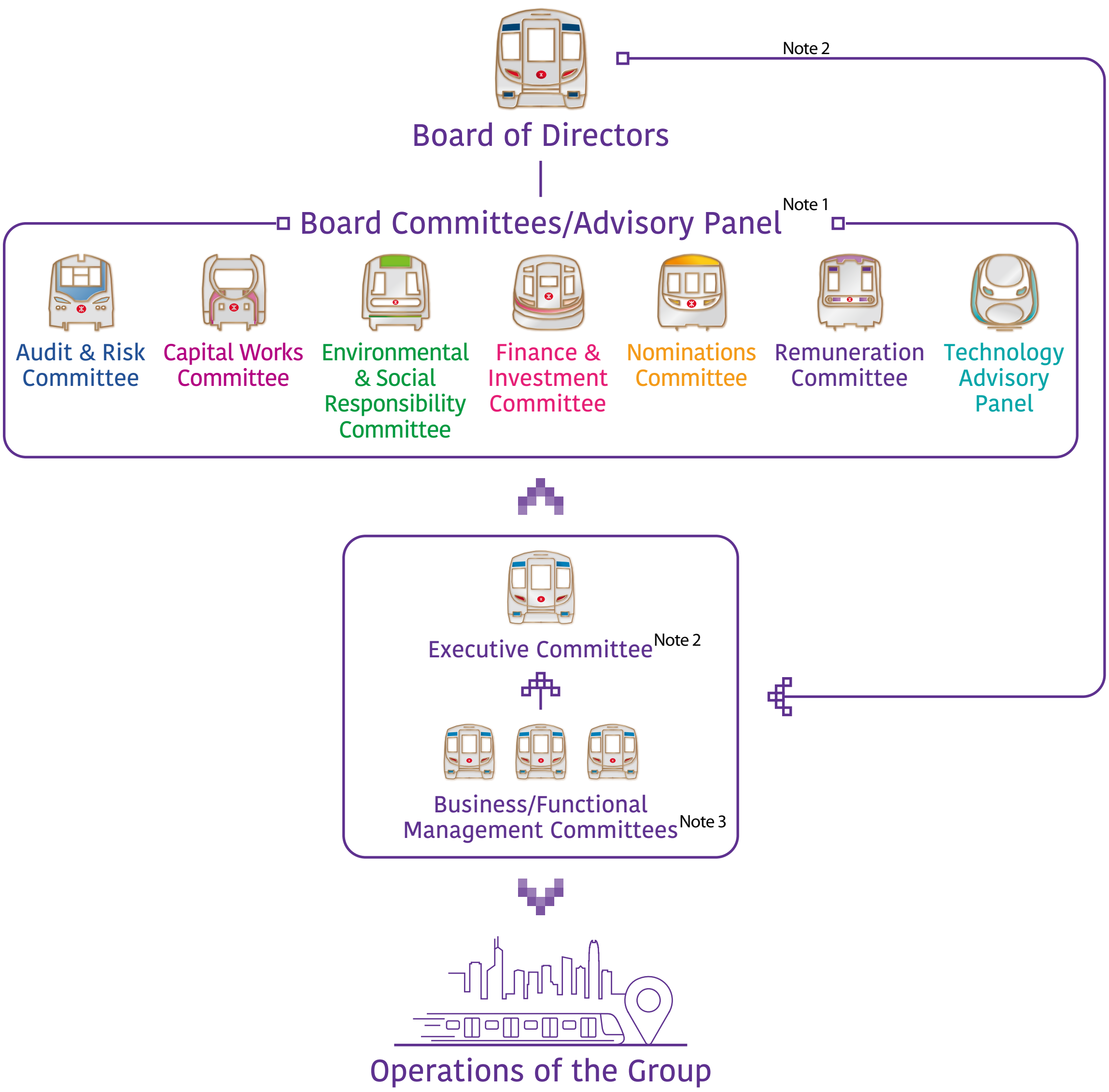
Overall Management

The overall management of the Company's business is vested in the Board. Pursuant to the Articles of Association and the "Protocol: Matters Reserved for the Board" (the "Protocol") adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Committee and focuses its attention on matters affecting the Company's overall strategic policies, corporate governance, finances and shareholders. These include financial statements, dividend policy, significant changes in accounting policies, annual operating budget, certain material contracts, strategies for future growth, major financing arrangements and major investments, corporate governance functions, risk management and internal control systems, treasury policies and fare structures. The Board reviews the delegation arrangement periodically.

In August 2023, the Board approved revisions to the Protocol, together with consequential revisions to the respective terms of reference of the Finance & Investment Committee ("F&IC") and the Capital Works Committee ("CWC") of the Company aiming to streamline the governance process with enhanced efficiency, while retaining an appropriate level of oversight.

To enable the Board to maintain adequate oversight, the Board receives updates and briefings on matters that have a significant impact on the Company's operations and businesses on a regular basis, supplemented by ad hoc reporting as and when required.

Below is a diagram of the governance structure of the Company:



Notes:

1. *All Board Committees/Advisory Panel are provided with sufficient resources to discharge their duties and can seek independent professional advice (as and when required) at the Company's expense to perform their responsibilities. The terms of reference of each Board Committee/Advisory Panel are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.*
2. *The Executive Committee is delegated by the Board to handle the day-to-day management of the Company's business pursuant to the Articles of Association and the Protocol and is chaired by the Chief Executive Officer ("CEO") and made up of nine other Members of the Executive Directorate.*
3. *Business/Functional Management Committees are set up to assist the Executive Committee in the management and control of the Company's various core businesses and functions.*

Composition of the Board

A list of Members of the Board and the Executive Directorate and their roles and functions is available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange. Biographical details of each of the Members of the Board and the Executive Directorate are set out on pages 145 to 158 of this Annual Report.

As at the date of this Report, the Board has 19 Members, made up of 13 INEDs, five Non-executive Directors ("NEDs") and one Executive Director ("ED"). This structure ensures that the Board is comprised of a majority of independent members, which is conducive to maintaining an independent and objective decision-making process.

Government, through The Financial Secretary Incorporated, held approximately 74.54% of the issued shares of the Company as at 31 December 2023, and is a substantial shareholder of the Company. The Chief Executive of the HKSAR, in the exercise of his right under Section 8 of the MTR Ordinance, has appointed three persons as "additional directors" of the Company (the "Additional Directors"). They are:

- The office of the Secretary for Transport and Logistics (currently held by Mr Lam Sai-hung);
- The office of the Permanent Secretary for Development (Works) (currently held by Mr Ricky Lau Chun-kit); and
- The office of the Commissioner for Transport (currently held by Ms Angela Lee Chung-yan).

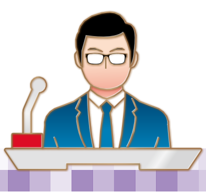
The Additional Directors are all NEDs and are treated for all purposes (other than the requirement to retire by rotation according to the Articles of Association) in the same way as other Members of the Board and are, therefore, subject to the usual common law duties of directors, including the requirement to act in the best interests of the Company.

Mr Christopher Hui Ching-yu, the Secretary for Financial Services and the Treasury, is another NED of the Company.

Coming from diverse business and professional backgrounds, Members of the Board actively bring their valuable experience to the Board for promoting the best interests of the Company and its shareholders. In addition, the INEDs also contribute to ensuring that the interests of all stakeholders of the Company are taken into account by the Board and that relevant issues are subject to objective and dispassionate consideration by the Board.

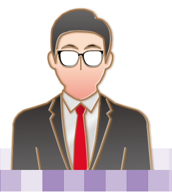
Chairman and CEO

The posts of the Chairman and the CEO are distinct and separate. Their respective roles and responsibilities are set out below:



Chairman
(Non-executive Director)

- Chairing and managing the operations of the Board;
- Monitoring the performance of the CEO and other Members of the Executive Directorate;
- Making sure that adequate information about the Company's business is provided to the Board on a timely basis;
- Providing leadership for the Board and promoting a culture of openness;
- Ensuring views on all issues are exchanged by all Members of the Board in a timely manner;
- Encouraging Members of the Board to make a full and effective contribution to the discussion at Board Meetings; and
- Establishing good corporate governance practices and procedures.



CEO
(Executive Director)

- Head of the Executive Directorate;
- Chairman of the Executive Committee;
- Responsible to the Board for managing the business of the Company; and
- Responsible for performing a bridging function between the Board and the Executive Directorate.

Board Committees/Advisory Panel(s)

As mentioned in the section headed "Overall Management" above, pursuant to the Articles of Association and the Protocol, the Board has delegated the day-to-day management of the Company's business to the Executive Committee and focuses its attention on matters affecting the Company's overall strategic policies, corporate governance, finances and shareholders. The Board discharges some of its said responsibilities through delegation, with appropriate oversight, to respective Board Committees and Advisory Panel(s). The memberships of the Company's existing Board Committees and Advisory Panel and the attendance record of each Member of the Board in 2023 are set out on pages 116 to 117 of this Report.

The duties and work performed by the Audit & Risk Committee, Capital Works Committee, Finance & Investment Committee and Remuneration Committee during the year are set out in their respective reports in this Annual Report:

- "Audit & Risk Committee Report" on pages 130 to 132;
- "Capital Works Committee Report" on page 138;
- "Finance & Investment Committee Report" on page 139; and
- "Remuneration Committee Report" on pages 140 to 144.

Nominations Committee

The Nominations Committee consists of seven NEDs, four of whom are INEDs. The Chairman of the Committee is an INED. Its terms of reference are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

Principal responsibilities:

- Reviewing the structure, size and composition (including the perspectives, skills, diversity, knowledge and experience) of the Board, the appropriateness and effectiveness of the Board Diversity Policy (the "BD Policy") and Nomination Policy, as well as the adequacy and appropriateness of the list of skillsets of the Board at least annually and making recommendations to the Board to complement the Company's corporate strategy and for succession planning purposes;
- Identifying individuals suitably qualified to become Members of the Board and putting forward nominations or recommendations to the Board for proposed appointments to the Board;
- Assessing the independence of INEDs and, in case a proposed director will be holding his/her seventh (or more) listed company directorship, his/her ability to devote sufficient time to Board matters;
- Making recommendations to the Board on the appointment or re-appointment of Members of the Board and succession planning for Members of the Board; and
- Nominating and recommending to the Board candidates for filling the positions of CEO, Finance Director and Chief Operating Officer (provided that the Chief Operating Officer position exists).

During the year, the Committee conducted reviews, discussed and, where applicable, made corresponding recommendations to the Board in respect of the following matters:

- Annual review of the structure, size and composition of the Board, the Nomination Policy, the BD Policy and the list of skillsets;
- Annual assessment of the independence of each INED;
- Re-election of Members of the Board retiring at the Company's Annual General Meeting held on 24 May 2023 (the "2023 AGM");
- Justifications for recommending the re-election of Dr Dorothy Chan Yuen Tak-fai (who was regarded as a long-serving INED pursuant to the Listing Rules) at the 2023 AGM;

- Proposed nomination of new Members of the Board for election by shareholders at the 2023 AGM; and
- Succession planning for the Board.

Board succession is an on-going process for the Company and is discussed by the Nominations Committee on a regular basis. The Nominations Committee manages Board succession and considers prospective candidates based on merit and taking a long-term, strategic view of the competencies and experience necessary to complement the Corporate Strategy, as well as the other factors highlighted in the Company's Nominations and BD Policies.

As at the date of this Report, the Nominations Committee has conducted, inter alia, (i) another annual review of the size, structure and composition (including skills/experience/perspectives) of the Board and considered the same is appropriate in light of the Company's strategy and business needs and the list of skillsets of the Board; (ii) an annual assessment of the independence of each INED; and (iii) re-election of the retiring Members of the Board and proposed nomination of a new Member of the Board for election at the 2024 Annual General Meeting of the Company (the "2024 AGM"). The Nominations Committee has also concluded that the Board (1) currently possesses a balanced mix of skills, experience and diversity of perspectives; (2) is in line with the Company's BD Policy; and (3) is appropriate for continuing to support the execution of the Company's business strategies in an efficient and effective manner.

Environmental & Social Responsibility Committee

The Environmental & Social Responsibility Committee consists of seven members, made up of three INEDs, one NED and three Members of the Executive Directorate. The Environmental & Social Responsibility Committee is chaired by the Chairman of the Company. Its terms of reference are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exhange.

Principal responsibilities:

- Engaging in any activity and acting as an advisor to the Board in respect of matters falling within the Committee's terms of reference;
- Approving the Company's E&S strategy;
- Overseeing the setting and achievement of targets under the Company's E&S strategy;
- Monitoring and overseeing the Company's E&S (including safety) performance and the related frameworks and initiatives;
- Approving E&S investments by the Company in excess of the thresholds set by the Board, in accordance with the Company's E&S investment framework;
- Overseeing the Company's stakeholder engagement strategy;
- Identifying emerging corporate responsibility and sustainability issues arising from external trends;
- Reviewing the Company's annual Sustainability Report and recommending endorsement by the Board; and
- Providing updates to the Board on matters falling within the Committee's remit as required.

Please also refer to the "Environmental & Social Responsibility" section (pages 71 to 78) of this Annual Report.

Work performed during the year:

- Monitored the advancement of the E&S Objectives of Social Inclusion, Greenhouse Gas Emissions Reduction and Advancement & Opportunities;
- Reviewed and recommended the Sustainability Report 2022 to the Board for approval;
- Considered the Company's performance on various local and international sustainability indices;

- Reviewed the progress made towards meeting the Company's E&S key performance indicators;
- Reviewed the allocation of the Environmental, Social and Governance ("ESG") Fund to eligible projects; and
- Monitored the progress of various community programmes and investment programmes.

As at the date of this Report, the Environmental & Social Responsibility Committee has conducted, inter alia, an annual review of the adequacy of the Company's resources for ESG performance and reporting. For more information, please refer to the "Evaluation of the Adequacy of Resources of the Company's Accounting, Financial Reporting and Internal Audit Functions and for ESG Performance and Reporting" under the section headed the "Risk Management and Internal Control Systems" (page 124) of this Report.

Technology Advisory Panel

The Technology Advisory Panel consists of two INEDs, one NED and an external advisor. The Chairman of the Panel is an INED. The terms of reference of the Panel are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

Principal responsibilities:

- Reviewing and providing input and direction to the setting and implementation of the Company's digital strategy and "Engine 2" strategy, the Company's long-term technological development plans and implementation schemes, as well as the Group's cyber security positioning; and
- Reviewing relevant digital trends, new technologies and cyber security developments and incidents and making recommendations to the Company's Executive Directorate and, where appropriate, the Board on further developing the Company's digital strategy and cyber security positioning.

Work performed during the year:

The Panel reviewed and provided guidance on the following key matters:

- the technology governance model of the Company;
- the technology plan of a major business unit;
- the digital plan of a business unit;
- the progress of cyber security work, including initiatives, security audits and horizon scanning of incidents;
- the digital and enterprise architecture strategy; and
- updates on major digital and innovation projects.

Company Secretary

Ms Gillian Elizabeth Meller, being the Legal and Governance Director and a Member of the Executive Directorate, reports to the CEO. Her role as the Company Secretary includes:

- Providing access to advice and services for Members of the Board;
- Ensuring the correct Board procedures are followed;
- Advising the Board on all corporate governance matters;
- Arranging for Members of the Board, their Alternate Directors and Members of the Executive Directorate, upon their appointment, to receive a comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company, as well as the general and specific duties of directors under general law (common law and legislation) and the Listing Rules;
- Recommending Members of the Board, their Alternate Directors and Members of the Executive Directorate to attend relevant seminars and courses; and

- Arranging for training on relevant new or amended legislation or other regulations to be provided at Board meetings.

In 2023, Ms Meller undertook over 15 hours of professional training to update her skills and knowledge.

Appointment, Re-election and Removal of Members of the Board

A person may be appointed as a Member of the Board at any time either by:

- the shareholders at general meeting in accordance with the "Appointment Procedures for Members of the Board of the Company", which is available on the website of the Company (www.mtr.com.hk); or
- the Board upon the recommendation of the Nominations Committee of the Company; or
- the Chief Executive of the HKSAR in the case of the Additional Directors.

Members of the Board who are appointed by the Board during a year must retire at the first annual general meeting after their appointment and are eligible for election at that meeting.

Except for the Additional Directors, all other Members of the Board are required to retire by rotation. At each annual general meeting of the Company, Members of the Board who were last elected or re-elected at the annual general meeting which was held in the third calendar year prior to the annual general meeting in question, are those who will retire by rotation.

The Additional Directors may not be removed from office except by the Chief Executive of the HKSAR and are not subject to any requirement to retire by rotation.

The Company has a service contract with each of the NEDs (with the exception of the Additional Directors) and the INEDs, specifying the terms of his/her continuous appointment as a NED or an INED and as the chairman or a member of the relevant Board Committee(s)/ Advisory Panel.

Nomination Policy

A Nomination Policy (the "Nomination Policy") documenting the procedures and practices that are adopted by the Company, is posted on the Company's website (www.mtr.com.hk).

The Nomination Policy sets out the process and procedures for governing the nomination of Members of the Board applicable to both new appointments and re-appointments, except for appointments made by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance and nomination by shareholders of the Company in accordance with the Articles of Association.

The Board has delegated to the Nominations Committee the authority to identify and assess potential candidates for appointment to the Board through different means and channels, including recommendations from Members of the Board, use of external search firms and any other means or channels that it deems appropriate. To ensure an appropriate level of refreshment of views at the Board, recommendations from the Nominations Committee to the Board are required to set out justifications for re-appointing a Member of the Board who has completed three consecutive terms of service (each of three years); in addition, for an INED who has completed three consecutive terms of service (each of three years), a recommendation from the Nominations Committee for his/her re-appointment shall include the reason(s) why such INED is still considered to be independent and should be re-appointed.

Nomination Procedures

The following diagram demonstrates the nomination procedures for new appointments and re-elections of Members of the Board (except for the Additional Directors):

Nominations Committee

New Appointment

- Request the candidate to provide his/her biographical information and other information deemed necessary
- Review and take reasonable steps to verify the information obtained from the candidate and seek clarification, where required
- Invite the candidate to meet with the Nominations Committee members, at their discretion, to assist them in their consideration of the proposed nomination or recommendation
- For INED appointment, the independence of a candidate would be assessed by reference to the independence requirements under the Listing Rules
- Submit nomination proposal to the Board for consideration and approval or to make recommendation to the shareholders for approval

Re-election

- Review the profile of the Member of the Board (including independence in case of INED) who has offered himself/herself for re-appointment to consider his/her suitability in light of the strategy of the Company as well as the structure, size and composition of the Board at that time
- Make recommendation for the Board's consideration

Board

New Appointment

Consider recommendation from the Nominations Committee and approve the appointment during the year[Note]

New Appointment / Re-election

Consider recommendation from the Nominations Committee and make recommendation to the shareholders for election (re-election) of the Member of the Board

Shareholders

Approve the election and/or re-election of new/existing Member of the Board at the Company's annual general meeting

Note: Save for the Additional Directors, any Member of the Board appointed during the year is subject to election by the shareholders at the next following annual general meeting.

Selection Parameters

In evaluating a proposed candidate, including a Member of the Board eligible for re-appointment, the Nominations Committee will consider the following factors (which are by no means exhaustive):

- the strategy of the Company;
- the structure, size, composition and needs of the Board and its respective Board Committees at the time (including the number of INEDs on the Board), taking into account succession planning and the diversity of the Board, where appropriate;
- the required skills, which should be complementary to those of the existing Members of the Board;
- the BD Policy of the Company as adopted/amended by the Board from time to time;
- any information obtained through third party references or background checks;
- any other factors that may be used as reference in assessing the suitability of a proposed candidate, including but not limited to the candidate's reputation for integrity, qualifications, accomplishments, likely commitment in terms of time and interest and expected contribution to the Company;
- if a proposed candidate will be holding his/her seventh (or more) listed company directorship, the candidate's ability to devote sufficient time to the Board;
- the need for a strong independent element on the Board; and
- the independence of a candidate proposed to be appointed as an INED, in particular by reference to the independence requirements under the Listing Rules.

The Nominations Committee is vested with discretion to take into account such other factors that it may consider appropriate.

The Nominations Committee will review the implementation of the Nomination Policy at least annually, including the mechanisms for ensuring independent views and input are available to the Board, and make recommendations on any proposed changes to the Board for the Board's review and approval to ensure its effectiveness.

Diversity

The Company is well aware of the benefits of diversity from the perspectives of, inter alia, creativity, innovation and decision making, and has a number of initiatives underway as part of the social inclusion pillar of its E&S strategy.

Board Level

In 2022, the Company made a pledge to maintain not less than 20% female members on the Board with effect from March that year and set a target of achieving 25% female members on the Board by 2025, as recorded in the Company's BD Policy. Following the appointment of two female members to the Board at the 2023 AGM, the Board has five female members as at the date of this Report, representing slightly over 26% of the entire membership, thereby achieving the Company's target of having 25% female members on the Board by 2025. Upon the retirement of two female members of the Board at the 2024 AGM, the representation of female members on the Board will be reduced. While best efforts will be made to continue to meet the 20% pledge made in 2022 and to achieve 25% female representation by 2025, all appointments will be made in accordance with the Company's Nomination Policy and on a merit basis taking into account available and suitable candidates.

As at the date of this Report, each of the Board Committees/Advisory Panel of the Company has at least one female member and the Remuneration Committee is chaired by a female member.

The Company has posted its BD Policy on the Company's website (www.mtr.com.hk). The BD Policy provides that the Company should endeavour to ensure that the Members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. A summary of the BD Policy is set out below:

- the Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor;

- a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. In informing the Company's perspective on diversity, its own business model and specific needs from time to time will also be taken into account; and
- the Company is committed to maintaining a Board made up with INEDs as the majority, together with an appropriate level of female Members on the Board, which shall not be less than 20% with effect from 2022 and 25% by 2025.

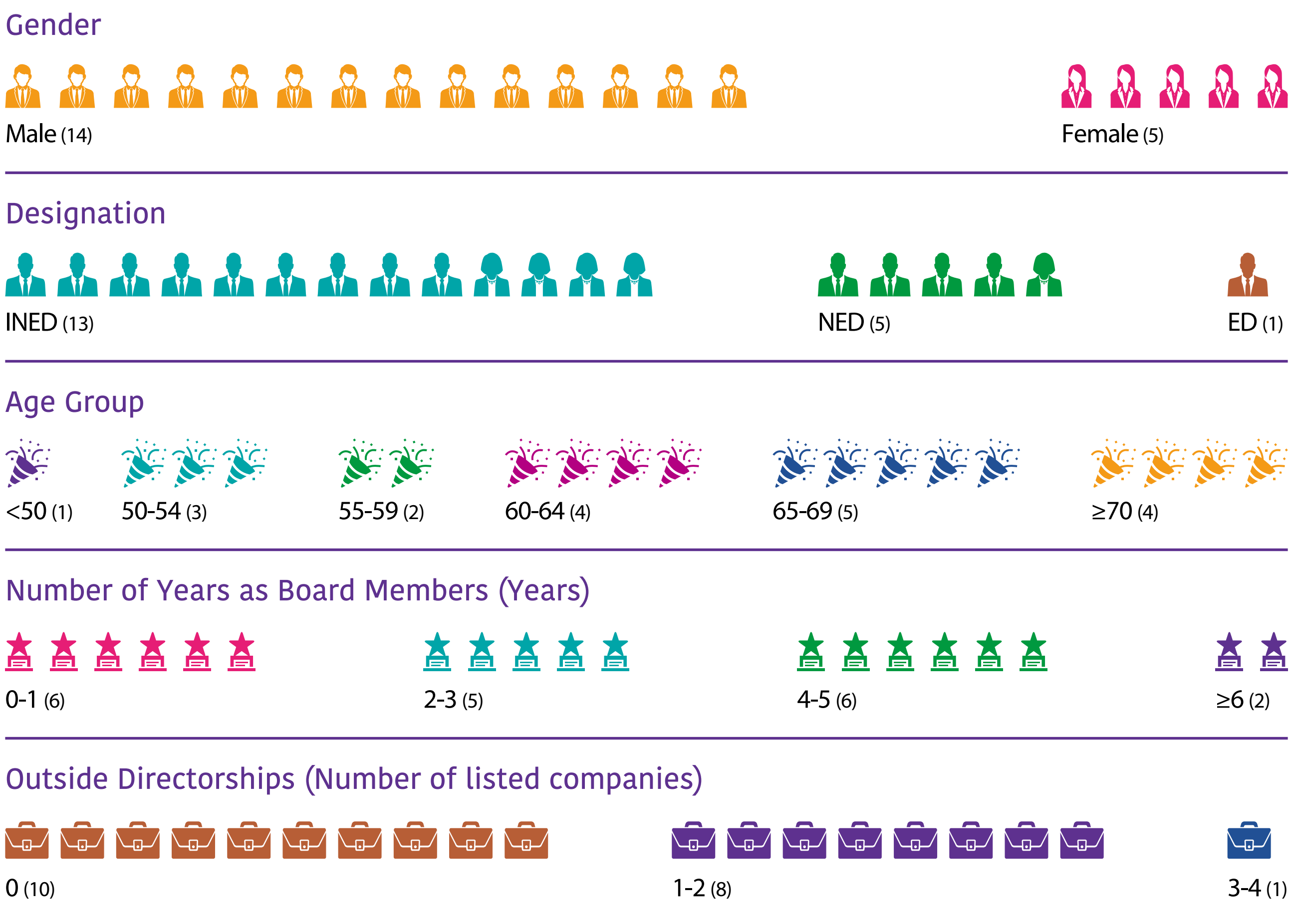
The Nominations Committee reviews the implementation of the BD Policy at least annually and makes recommendations on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness. As at the date of this Report, the Board, through the Nominations Committee, has reviewed the implementation of the BD Policy and confirmed its appropriateness and effectiveness.

The BD Policy and the list of skillsets were taken into account by the Nominations Committee and the Board in considering the following new appointments during the year:

- Ms Sandy Wong Hang-yee as an INED; and
- Professor Anna Wong Wai-kwan as an INED.

The Nominations Committee and the Board formed the view that, with Ms Sandy Wong's extensive experience in the legal profession coupled with her solid experience in serving the public in many different areas and Professor Anna Wong's extensive experience in the banking and financial sectors, as well as the public sector, each of them would be a valuable addition to the Board and would further enrich the spectrum of skills, experience and diversity of perspectives on the Board, thereby enhancing the diversity and effectiveness of the Board.

The current diversity of the Board can be seen in the diagram below:



Board Skills

During the year, the Nominations Committee reviewed the appropriateness of the list of skillsets and considered that Board Members' individual experience (past and current) spanning across different sectors (including public bodies, private companies, charitable organisations and Government authorities) has enriched the diverse perspectives of the Board, while collectively providing a reservoir of balanced skills that supports the Company's strategic needs.

The list of skillsets of the Members of the Board covers the following key areas:

- business related experiences including risk management, human resources management, strategic planning, multi-national companies experience, and passenger/customer perspectives;
- compliance related experiences including listed company experience, and environment, social and governance matters;
- industry related experiences including railway operations, engineering, construction and infrastructure, property development, planning/urban development, commercial/business operations and overseas business growth and management;
- professional expertise including accounting and finance, engineering, legal and regulatory;
- public administration including Government liaison, Hong Kong political environment, government relations in Mainland China, and public affairs/communications; and
- technology, particularly in the areas of digital and cyber security.

Workforce Level

"Diversity and Inclusion" ("D&I") is one of the ten focus areas under the Company's E&S Objectives, under which the Company commits to eliminating discrimination in its practices and policies and increasing the diversity of its workforce.

The Company has established a Gender Equity Network and also achieved several D&I related key performance indicators in 2023. For instance, a diversity, equity and inclusion ("DEI") workshop was conducted for all Executives and around 380 DEI training events were organised for staff. Also, a new one-year traineeship pilot programme "EmpowerZ" was launched, supporting the employment for people with disabilities or from ethnically diverse backgrounds. 10% of the Company's summer interns recruited were ethnic minorities or persons with disabilities. The Company has also participated in the CareER Disability Inclusion Index for the first time and has been awarded the "CareER Inclusive Employer Badge".

For the gender distribution of the workforce (including the senior management) in 2023, please refer to the information disclosed in the Sustainability Report 2023.

INED INDEPENDENCE

For the year ended 31 December 2023, each INED has provided a written confirmation to the Company about his/her independence and, where applicable, the interests of his/her immediate family member(s) (as defined under the Listing Rules). The Nominations Committee has reviewed the said confirmations and assessed the independence of the INEDs and continues to consider each of them to be independent.

As at the date of this Report, the Board, through the Nominations Committee, has reviewed the implementation and effectiveness of the below mechanisms to ensure that independent views and input are available to the Board.

Structure	The number of INEDs represents more than two-thirds of the Board, which exceeds the independence requirement under the Listing Rules.
INED's tenure	For an INED who has completed more than three consecutive terms of service (i.e. nine years), the recommendation for his/her re-appointment should state why the Nominations Committee believes he/she is still independent and should be re-appointed, including the factors considered, the process and the discussion of the Nominations Committee in arriving at such determination. This process was followed in 2023 in connection with the re-appointment of a long serving INED.
Time commitment	Each Member of the Board is required to ensure that he/she can give sufficient time and attention to the affairs of the Company and contribute to the development of the Company's strategy and policies through independent, constructive and informed comments. The attendance record of each Member of the Board during the year is set out on pages 116 to 117 of this Report.
Overboarding	• All Members of the Board (including INEDs) have disclosed to the Company in a timely manner the number and nature of offices held by them in public companies or organisations and other significant commitments, as well as their identity and the time involved. • There is no overboarding issue (i.e. holding of seven or more listed company directorships).
Cross-directorship	Certain Members of the Board have common directorships as NEDs or INEDs in the Company and other companies/bodies. The Nominations Committee has assessed the said cross-directorships and confirmed that they should not undermine the independence of the relevant INEDs.
Interest in the shares of the Company	None of the INEDs, nor any of their family members, holds more than 1% of the total number of the issued shares of the Company.

Save as disclosed in this Annual Report, none of the Members of the Board or the Executive Directorate has any relationship (including financial, business, family or other material or relevant relationships) with another Member of the Board or the Executive Directorate or holds any cross-directorships. In addition, none of the Members of the Board holds seven (or more) directorships in listed companies (including the Company) or has significant links with other Members of the Board through involvements in other companies or bodies as at 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules (the "Model Code"). After having made specific enquiry, the Company confirms that all Members of the Board and (where applicable) their Alternate Directors and all Members of the Executive Directorate have complied with the Model Code throughout the year.

Senior managers, other nominated managers and staff who, because of their office in the Company, may be in possession of Inside Information (which term shall bear the same meaning as in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) of the Company (collectively the "Model Code Managers"), have also been requested to comply with the provisions of the Model Code.

For enhanced monitoring and effectiveness, the Company has implemented an electronic platform "Model Code Managers Management System" to provide one-stop access to the relevant key processes to support compliance with the Model Code. Periodic training is also required to be completed by Model Code Managers, with the latest training being provided in February 2023.

DIRECTORS' INSURANCE

As permitted under the Articles of Association, it has been the practice of the Company to arrange Directors' and Officers' ("D&O") Liability Insurance for which Members of the Board and officers of the Company do not have to bear any excess. To ensure sufficient cover is provided, the Company undertakes an annual review of the Company's D&O insurance policy in light of recent trends in the insurance market and other relevant factors. The review benchmarks the amount of cover against other similar companies and considers whether separate cover will be required for Members of the Executive Directorate or Members of the Board. The conclusion of the review in year 2023 was that the level of cover was adequate and, given this, together with the indemnity provided by the Company to Members of the Board, the broad policy wording and the financial strength of the insurance panel, no additional cover was required.

CORPORATE GOVERNANCE FUNCTIONS REVIEW

During the year, the Board conducted an annual review of its Corporate Governance duties in accordance with its terms of reference on Corporate Governance Functions. Below is a summary of the work performed during the year ended 31 December 2023:

- Reviewed the purpose, values and strategy established by the Company;
- Developed and reviewed the Company's policies and practices on corporate governance, including the corporate governance framework, the BD Policy and the Nomination Policy;
- Reviewed and monitored the training and continuous professional development of Members of the Board and senior management;
- Reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- Developed and reviewed and monitored the Code of Conduct and Directors' Manual; and
- Reviewed the Company's compliance with the CG Code.

As at the date of this Report, the Board has reviewed the Company's culture to ensure alignment with the Company's purpose, values and strategy and has also reviewed the implementation and effectiveness of the Shareholders' Communication Policy.

The Board considers that, overall, the Company's Corporate Governance Functions remain adequate and appropriate for the Company in light of its current corporate strategy. They will be kept under review in light of the changing legal and regulatory environment and any changes to the Company's business.

The terms of reference on Corporate Governance Functions are available on the websites of the Company (www.mtr.com.hk) and the Stock Exchange.

BOARD PROCEEDINGS

The Board generally meets in person regularly while electronic means have also been provided to Members of the Board to facilitate them to participate in meetings virtually, which is permissible under the Articles of Association. The same arrangements also applied to meetings of Board Committees/Advisory Panel and Executive Committee meetings. The Company's introduction of an electronic meeting solution for Board meetings and Executive Committee meetings since 2017, which has subsequently been expanded to meetings of Board Committees/Advisory Panel, has also enabled all Members of the Board, Board Committees/Advisory Panel and the Executive Committee to access meeting documents and join virtual meetings remotely in a secure, efficient and convenient manner.

All Members of the Board have full and timely access to relevant information and may take independent professional advice at the Company's expense, if necessary. Members of the Board also have full access to Members of the Executive Directorate as and when they consider necessary.

The draft agenda for Board meetings is prepared by the Company Secretary and approved by the Chairman of the Company. Members of the Board are advised to inform the Chairman or the Company Secretary not less than one week before the relevant Board meeting if they wish to include a matter in the agenda of the meeting. The agenda, together with Board Papers, are usually sent at least three days before the intended date of the Board meeting.

The Board meeting dates for the following year are usually fixed by the Company Secretary with the agreement of the Chairman, before communicating with other Members of the Board, in the third quarter of each year.

At regular Board meetings, Members of the Executive Directorate together with senior managers report to the Board on their respective areas of business.

The CEO Report, provided to the Board on a monthly basis, covers the overall strategies, progress updates on the Company's transformation and Corporate Strategy implementation, as well as innovation and technology implementation, principal issues and key events of the Company for the relevant month and provides key information in areas such as the Group's safety performance in different business sectors, financial activities, contingent liabilities, human resources developments, the programme and cost status of new railway projects and the progress of major asset management projects, as well as a look ahead to key issues or events in the following three to six months. This CEO Report together with the discussions at Board meetings, ensures that Members of the Board have an overall understanding of the Company's business and other key information about the Company, and provides up-to-date information to enable them to make informed decisions for the benefit of the Company.

MATERIAL INTERESTS AND VOTING

All Members of the Board and the Executive Directorate are required to comply with their common law duty to act in the best interests of the Company and have particular regard to the interest of the Company's shareholders as a whole. To this end, all of them are required to declare the nature and extent of their interests, if any, in any contract, transaction, arrangement or other proposal to be considered by the Board at Board meetings.

In addition, before each regular Board meeting, the Company reminds each Member of the Board to update his/her "Declaration of Other Directorships, Major Appointments and Interests" (the "Declaration"). The Declaration of each Alternate Director is sent to him/her for update on a quarterly basis. Also, each Member of the Board and each Alternate Director is required to confirm his/her other directorships, major appointments and interests to the Company twice a year.

Unless specifically permitted by the Articles of Association, a Member of the Board cannot cast a vote on any contract, transaction, arrangement or any other kind of proposal in which he/she has an interest which he/she knows is material. For this purpose, the interests of a person who is connected with a Member of the Board (including any of his/her associates) are treated as the interests of the Member of the Board himself/herself. Interests purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. A Member of the Board may not be included in the quorum for such part of a meeting that relates to a resolution he/she is not allowed to vote on but he/she shall be included in the quorum for all other parts of that meeting. This reduces potential conflicts which might otherwise arise between the Company's business and an individual Member of the Board's other interests or appointments.

If a conflict arises between the interests of the Company and those of Government, each Government-nominated Director and any Director holding a senior Government position, is not included in the quorum for that part of the meeting which relates to the contract, transaction, arrangement or other proposal being considered by the Board and in relation to which the conflict exists and is not allowed to vote on the related resolution. Where appropriate, Government-nominated Directors and any Directors holding a senior Government position will be excused from attendance for discussion of a particular item.

There are a number of contractual arrangements that have been entered into between the Company and Government (and/or its related entities), some of which are continuing in nature. As Government is a substantial shareholder of the Company, such contractual arrangements are connected transactions (and in some cases continuing connected transactions) for the purposes of the Listing Rules. The sections headed "Connected Transactions" and "Continuing Connected Transactions" (pages 172 to 194) of this Annual Report explain how, in accordance with the Listing Rules, these transactions have been treated.

Matters to be decided at Board meetings are decided by a majority of votes from Members of the Board allowed to vote, although the usual practice is that decisions reflect the consensus of the Board.

BOARD MEETINGS

The Board held 11 meetings in 2023 (seven Regular Meetings, two Special Meetings and two Private Meetings), well exceeding the requirement of the CG Code which requires every listed issuer to hold board meetings at least four times a year.

In addition and as required by the Listing Rules, the Chairman met with the INEDs only without the presence of other Members of the Board during the year, at which meeting the following matters were discussed: the business performance and aspirations of the Company, the sustainability of the Company's business model, the capacity and resources of the Company for coping with anticipated business opportunities, people challenges, operational challenges posed by the local ageing population and the continued deployment of technology as a business solution, senior management succession planning, the Company's ESG commitments and the working relationship with major stakeholders.

Regular Meetings

At each Regular Meeting, the Board reviewed, discussed and, where appropriate, approved matters relating to the Company's different businesses and financial and operational performance.

In addition, other key matters discussed at the Regular Board meetings held in 2023 included:

- Corporate Strategy:
  - Receipt of the key take-aways from the 2023 Board Strategy Day; and
  - Receipt of periodic updates on the implementation of the strategy;
- Environmental, Social and Governance:
  - Annual review of the structure, size and composition of the Board and its corporate governance functions for 2022; annual assessment of (i) the independence of the INEDs, and (ii) the effectiveness of the Company's risk management and internal control systems for 2022;
  - Recommendation of the appointment of new Members of the Board and re-election of retiring Members of the Board for approval by shareholders at the 2023 AGM;
  - Approval of (i) changes in the composition of the Board Committees/Advisory Panel; (ii) annual update to the Directors' Manual; and (iii) update of the Protocol of Conduct of Business of the Company together with consequential revisions to the terms of reference of the F&IC and the CWC of the Company;
  - Approval of Sustainability Report 2022; and
  - Receipt and consideration of periodic reports from Management on key matters such as corporate safety governance and enterprise risk management;
- Hong Kong Transport Services:
  - Receipt of report on the 2022 Hong Kong Transport Service Performance;
  - Receipt of quarterly update on the Hong Kong Transport Services business;
  - Receipt of progress update on the review of the Company's Fare Adjustment Mechanism ("FAM") and approval of the principles for adjusting the controlled fares for 2023 under the FAM;

- Approval of award of signalling works contract;
- Receipt of update on the review of the Asset Management System of the Company's railway operations;
- Approval of award of advertising sales agency service contract and cleaning services contracts for the operating railway; and
- Receipt of progress update on the Urban Line signalling replacement project contract;

• Capital Works:
  - Approval of award of construction contracts for the Tung Chung Line Extension, Tuen Mun South Extension, Kwu Tung Station and Oyster Bay Station projects; and
  - Approval of the Project Agreements for the Tuen Mun South Extension and Kwu Tung Station projects;

• Property:
  - Approval of tender arrangements for certain property developments in Hong Kong;
  - Receipt of a development strategy review of a property development project; and
  - Receipt of progress update on a new project;

• Mainland China and International Businesses:
  - Receipt of 2022 annual update on the Mainland China and Macao businesses;
  - Receipt of updates on a proposed tender submission for a metro operating concession overseas;
  - Receipt of updates on the long-term plan and periodic updates of certain international businesses; and
  - Approval of a supplementary agreement to the concession agreement in relation to the operation of an existing railway in the Mainland China;

• Financial:
  - Review and approval of the 2022 Annual Report and the 2023 Interim Report and the respective financial statements;
  - Receipt of the annual shareholder analysis and investor feedback;
  - Approval of the renewal of the US$10 Billion Debt Issuance Programme;
  - Approval of a 2023 revised Budget and the arrangement of additional financing for 2023;
  - Approval of the 2024 Budget and 10-Year Forecast; and
  - Receipt of an update on a tax matter;

• Human Resources:
  - Approval of 2023 Annual Pay Review; and

• Corporate Affairs:
  - Receipt of a corporate plan in relation to the 45th anniversary of MTR.

Special Meetings

During 2023, two Special Meetings were held to approve the submission of a proposal for a proposed railway project to Government, the outcome of the 2023 FAM Review and the principles for revising MTR fares under the FAM in 2023, and the early termination of the Stockholms Pendeltågen concession.

Private Meetings

During 2023, two Private Meetings were held to consider (i) revised fees for the NEDs; (ii) the appointment of a Member of the Executive Directorate; and (iii) the Company's senior management organisation and succession planning.

The minutes of Board meetings are prepared by the Company Secretary or her delegate with details of the matters considered by the Board and decisions reached, including any concerns raised by Members of the Board or dissenting views expressed. The draft minutes are circulated to all Members of the Board for their comments within a reasonable time after the meeting. The approval procedure is that the Board formally adopts the draft minutes at the subsequent meeting. If Members of the Board have any comments on the draft minutes, they will discuss it at that meeting and any agreed changes will be reflected in the formal minutes of the relevant meeting. Minutes of Board meetings are kept by the Company Secretary and are open for inspection by all Members of the Board at the Company's registered office.

The attendance record of each Member of the Board (and each Member of the Executive Directorate) during the year is set out on pages 116 to 117 of this Report.

Members of the Board and the Executive Directorate Attendance of Meetings and Training in 2023

	Attendance											
	Board Meetings			Board Committees/Advisory Panel Meetings							2023 AGM	Training[Ω]
	RM	SM	PM	A&RC	NC	RC	CWC	E&SRC	F&IC	TAP		
Total Number of Meetings	7	2	2	4	2	3	5	2	10	4	1	
Members of the Board												
Non-executive Directors ("NED")												
Dr Rex Auyeung Pak-kuen (Chairman)[1]	7/7	2/2	2/2		2/2	3/3		2/2[C]			1/1	√
Christopher Hui Ching-yu[2] (Secretary for Financial Services and the Treasury)	2/7	0/2	0/2			2/3			5/10		0/1	√
Secretary for Transport and Logistics (Lam Sai-hung)[3]	4/7	1/2	2/2		1/2	2/3					0/1	√
Permanent Secretary for Development (Works) (Ricky Lau Chun-kit)[4]	6/7	2/2	2/2		0/2		2/5				0/1	√
Commissioner for Transport (Angela Lee Chung-yan)[5]	1/2	1/1	N/A*	1/1						1/1	N/A*	√
Independent Non-executive Directors ("INED")												
Andrew Clifford Winawer Brandler	7/7	1/2	2/2	4/4					10/10[C]		1/1	√
Dr Bunny Chan Chung-bun	7/7	2/2	2/2					2/2	10/10		1/1	√
Walter Chan Kar-lok[6]	7/7	2/2	2/2		2/2[C]		5/5				1/1	√
Dr Dorothy Chan Yuen Tak-fai	7/7	2/2	2/2			3/3[C]	4/5				1/1	√
Cheng Yan-kee	6/7	2/2	2/2			3/3	5/5[C]				1/1	√
Hui Siu-wai	7/7	2/2	2/2	4/4			5/5				1/1	√
Sunny Lee Wai-kwong[7]	7/7	2/2	2/2		2/2					4/4[C]	1/1	√
Rose Lee Wai-mun	3/7	2/2	1/2			1/3			8/10		1/1	√
Jimmy Ng Wing-ka	5/7	2/2	2/2		2/2			2/2			1/1	√
Dr Carlson Tong	7/7	2/2	2/2	4/4[C]					8/10		1/1	√
Sandy Wong Hang-yee[8]	4/4	1/1	1/1					1/1		2/2	N/A*	√
Adrian Wong Koon-man	7/7	2/2	2/2	4/4		3/3					1/1	√
Professor Anna Wong Wai-kwan[9]	4/4	1/1	1/1	2/2	1/1						N/A*	√
Executive Director ("ED")												
Dr Jacob Kam Chak-pui (CEO)	7/7	2/2	2/2					2/2			1/1	√
Members of the Executive Directorate & the Executive Committee												
Dr Jacob Kam Chak-pui (CEO)	7/7	2/2	2/2					2/2			1/1	√
Jeny Yeung Mei-chun											1/1	√
Margaret Cheng Wai-ching								2/2			1/1	√
Linda Choy Siu-min											1/1	√
Carl Michael Devlin											1/1	√
Herbert Hui Leung-wah[10]											1/1	√
Dr Tony Lee Kar-yun[11]											1/1	√
Gillian Elizabeth Meller								2/2			1/1	√
David Tang Chi-fai											1/1	√
Sammy Wong Kwan-wai[12]											1/1	√
Members departing during 2023												
NED												
Commissioner for Transport (Rosanna Law Shuk-pui)[13]	3/5	0/1	1/2	2/3						2/3	0/1	√
INED												
Dr Pamela Chan Wong Shui[14]	3/3	1/1	1/1		1/1[C]			1/1			1/1	√
Johannes Zhou Yuan[15]	3/3	0/1	1/1	1/2						2/2[C]	0/1	√

Legend:

Board Meetings
RM – Regular Meeting(s)
SM – Special Meeting(s)
PM – Private Meeting(s)

Board Committees/Advisory Panel
A&RC – Audit & Risk Committee
NC – Nominations Committee
RC – Remuneration Committee
CWC – Capital Works Committee
E&SRC – Environmental & Social Responsibility Committee
F&IC – Finance & Investment Committee
TAP – Technology Advisory Panel

2023 AGM – Annual General Meeting of the Company held on 24 May 2023

N/A – Not applicable

***** – appointed after the conclusion of the 2023 AGM

C – Chairman of Board Committee/Advisory Panel

Ω – This includes (i) continuous professional development through attending expert briefings/seminars/conferences/visits relevant to the Company's business or directors' duties arranged by the Company or external organisations, and reading regulatory/corporate governance or industry related updates; and (ii) induction and familiarisation programmes attended by newly appointed Directors

Notes:

1. *Dr Rex Auyeung Pak-kuen has been re-appointed by The Financial Secretary Incorporated as the Chairman of the Board for a period of one and a half years starting from 1 July 2024 to 31 December 2025 (both dates inclusive).*

2. *The alternate directors of Mr Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury), acting on his behalf, attended five RM, two SM, one PM, one RC meeting and three F&IC meetings. Mr Hui or his alternate director were not present at those Board meetings or a portion thereof and two F&IC meetings at which, where applicable, the submission of a proposal to the Government for a proposed railway project, the 2023 FAM review, the Tuen Mun South Extension project, the Kwu Tung Station project, and/or a tax matter were discussed for the avoidance of any actual or perceived conflict of interest.*

3. *The alternate directors of the Secretary for Transport and Logistics (Mr Lam Sai-hung), acting on his behalf, attended three RM, one SM, one NC meeting and one RC meeting. Mr Lam or his alternate directors were not present at those Board meetings or a portion thereof at which the submission of a proposal to the Government for a proposed railway project, the 2023 FAM review, the Tuen Mun South Extension project, the Kwu Tung Station project, and/or a tax matter were discussed for the avoidance of any actual or perceived conflict of interest.*

4. *The alternate directors of the Permanent Secretary for Development (Works) (Mr Ricky Lau Chun-kit), acting on his behalf, attended one RM, two NC meetings and one CWC meeting. Mr Lau was not present at those Board meetings or a portion thereof at which the submission of a proposal to the Government for a proposed railway project, the 2023 FAM review, the Tuen Mun South Extension project, the Kwu Tung Station project, and/or a tax matter were discussed for the avoidance of any actual or perceived conflict of interest.*

5. *Ms Angela Lee Chung-yan took up the post of the Commissioner for Transport ("C for T") on 28 August 2023 and, by virtue of holding such post, became a NED with effect from the same time. Ms Lee also became a member of each of the A&RC and the TAP of the Company, both with effect from 28 August 2023.*

   The alternate director of the C for T (Ms Angela Lee Chung-yan), acting on her behalf, attended one RM.

6. *Mr Walter Chan Kar-lok has been appointed by the Board as the chairman of the NC of the Company with effect from the conclusion of the 2023 AGM.*

7. *Mr Sunny Lee Wai-kwong has been appointed by the Board as the chairman of the TAP of the Company with effect from the conclusion of the 2023 AGM.*

8. *Ms Sandy Wong Hang-yee was elected as a Member of the Board and has become an INED with effect from the conclusion of the 2023 AGM, and has been appointed by the Board as a member of each of the E&SRC and the TAP of the Company, all with effect from the same date.*

9. *Professor Anna Wong Wai-kwan was elected as a Member of the Board and has become an INED with effect from the conclusion of the 2023 AGM, and has been appointed by the Board as a member of each of the A&RC and the NC of the Company, all with effect from the same date.*

10. *Mr Herbert Hui Leung-wah retired from the Company upon completion of his service agreement with the Company immediately after 31 December 2023, and ceased to be the Finance Director and a Member of the Executive Directorate of the Company at the same time.*

11. *Dr Tony Lee Kar-yun took up an additional role to oversee the Company's Digitalisation and Innovation Department and was retitled as the Operations and Innovation Director with effect from 1 October 2023.*

12. *Mr Sammy Wong Kwan-wai was appointed as the Mainland China Business Director and has become a Member of the Executive Directorate of the Company, both with effect from 1 January 2023.*

13. *Miss Rosanna Law Shuk-pui ceased to hold the post of the C for T on 15 August 2023. Accordingly, she ceased to be a NED with effect from the same time. Miss Law also ceased to be a member of each of the A&RC and the TAP of the Company, both with effect from 15 August 2023.*

    The alternate director of the then C for T (Miss Rosanna Law Shuk-pui), acting on her behalf, attended two RM and one meeting of each of the SM, PM, A&RC and TAP. Miss Law or her alternate director were not present at those Board meetings or a portion thereof at which the submission of a proposal to the Government for a proposed railway project, the 2023 FAM review, the Tuen Mun South Extension project and/or the Kwu Tung Station project were discussed for the avoidance of any actual or perceived conflict of interest.

14. *Dr Pamela Chan Wong Shui retired as an INED, and ceased to be a member and the chair of the NC of the Company, and a member of the E&SRC of the Company, all with effect from the conclusion of the 2023 AGM.*

15. *Mr Johannes Zhou Yuan retired as an INED, and ceased to be a member and the chairman of the TAP of the Company, and a member of the A&RC of the Company, all with effect from the conclusion of the 2023 AGM.*

INDUCTION PROGRAMME AND OTHER TRAINING

Induction Programme

On appointment, all new Members of the Board (including Government-nominated Directors), Alternate Directors and Members of the Executive Directorate are given a comprehensive, formal and tailored induction programme which covers:

- the roles of a director from the strategic, planning and management perspectives, as well as the essence of corporate governance and the trends in these areas; and
- the general and specific duties of a director under general law (common law and legislation) and the Listing Rules.

In addition to the above, a familiarisation programme to understand the key areas of the Company's business and operations is also provided.

During the year, an induction programme has been provided to the following newly appointed/to be appointed Director(s), some of whom have also received a familarisation programme:

- Members of the Board
  - Ms Sandy Wong Hang-yee
  - Professor Anna Wong Wai-kwan
  - Ms Angela Lee Chung-yan
- Alternate Directors
  - Ms Ida Lee Bik-sai
  - Mr Tony Ho Ying-kit
- Members of the Executive Directorate
  - Mr Sammy Wong Kwan-wai
  - Mr Michael George Fitzgerald

All of them have obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him/her as a director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

For Mr Michael George Fitzgerald who was appointed as the Finance Director of the Company with effect from 1 January 2024 and became a Member of the Executive Directorate of the Company with effect from the same date, he obtained the pre-appointment legal advice on 21 November 2023 and acknowledged the same by a written confirmation on the same day.

All Members of the Board, Alternate Directors and Members of the Executive Directorate are also provided with a Directors' Manual on their appointment which sets out, amongst other things, directors' roles and responsibilities, their key obligations from both a statutory and a regulatory perspective, the terms of reference of the Board on its Corporate Governance Functions and the terms of reference of the Board Committees and Advisory Panel. The Directors' Manual is updated regularly to keep the contents up to date so that the Directors are kept abreast of changes and latest developments in the laws and regulations that are relevant to Directors and the Company. The latest updates to the Directors' Manual, approved by the Board in January 2024, covered (i) the relevant changes in the Listing Rules which took effect on 31 December 2023 subsequent to the Stock Exchange's consultation conclusions on the "Proposals to Expand the Paperless Listing Regime and Other Rule Amendments"; (ii) insertion of certain reminders and guidelines published by the Stock Exchange in respect of directors' responsibilities and obligations; and (iii) miscellaneous housekeeping updates.

Training and Continuous Professional Development

Members of the Board and the Executive Directorate

Board Visits

In July 2023, certain Members of the Board and the Executive Directorate visited The Wai at the Company's Tai Wai property development, to gain a first-hand understanding of this new addition to the Company's shopping mall portfolio.

In December 2023, certain Members of the Board and the Executive Directorate visited the Company's Operations Control Centre (OCC) in Tsing Yi which is the "heart" of the MTR train operations that monitors the railway network and daily operations.

Training

To assist Members of the Board and the Executive Directorate in continuing their professional development, the Company Secretary recommends them to attend relevant seminars and courses at the cost of the Company. In addition, an ESG briefing was provided to Members of the Board in May 2023.

Materials on the subject of corporate governance and e-learning provided by the Stock Exchange and other professional firms and institutes are also provided/notified to Members of the Board, Alternate Directors and Members of the Executive Directorate from time to time to keep them abreast of the latest developments on this front.

Each Member of the Board and the Executive Directorate has provided to the Company a record of the training he/she has received during the year, which is set out on pages 116 to 117 of this Report.

Senior Executives

A comprehensive and tailored training on-going learning programme has been developed for the Company's Senior Executives. A series of both formal (such as seminars, webinars, e-learning, etc.) and informal learning events are offered regularly. Through the sharing of the latest trends and insights and mind-provoking discussions, the objective of the programme is to support the continuous personal growth of business leadership, people leadership and self leadership of the Senior Executives.

Partnering with overseas business schools, various self-paced online executive programmes were organised in 2023. These programmes aim to enable senior leaders to expand their business skills and connect with world-class professors and experienced executives from around the globe.

In early February 2023, the Company has arranged an external law firm to provide a briefing on connected transactions and continuing connected transactions to managerial or above staff to promote understanding of the relevant requirements under the Listing Rules.

FINANCIAL REPORTING

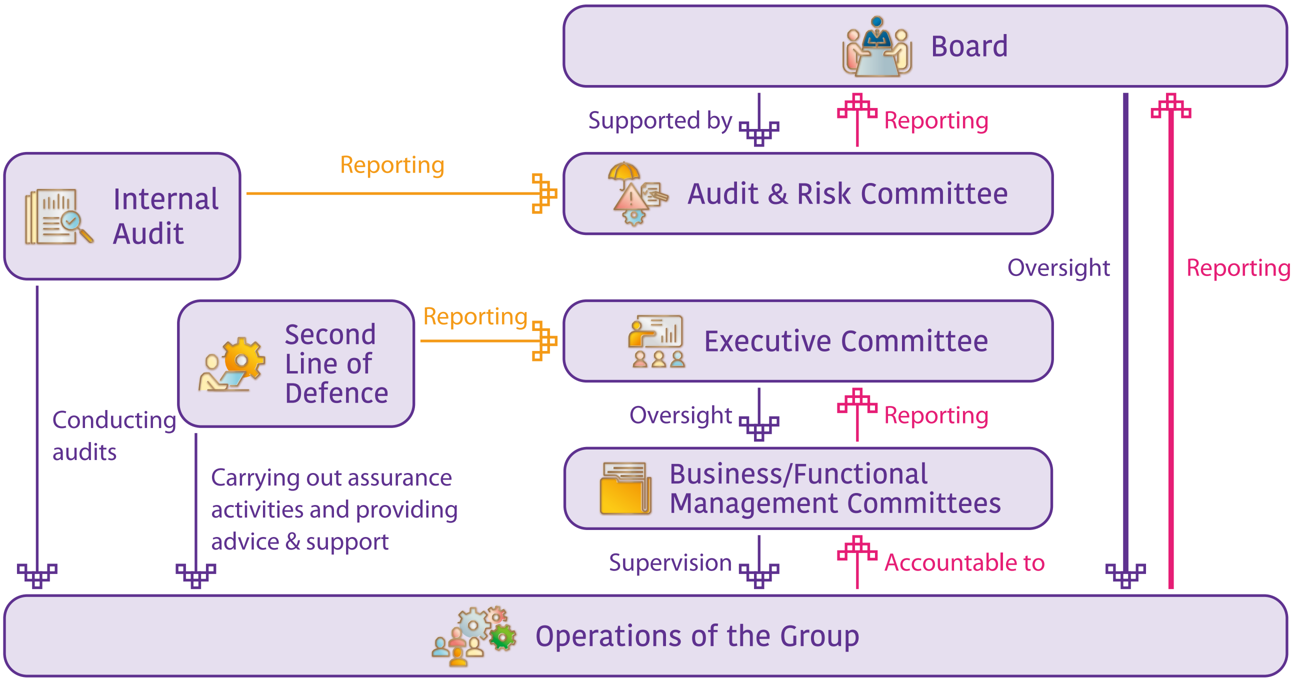
Members of the Board are responsible for preparing the consolidated financial statements of the Group. The consolidated financial statements are prepared on a going concern basis and give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of the Group's consolidated financial performance and consolidated cash flows for the year then ended. In preparing the consolidated financial statements for the year ended 31 December 2023, Members of the Board have selected appropriate accounting policies and have applied them consistently with previous financial periods, apart from those new and amended accounting policies effective from 1 January 2023 as disclosed in the notes to the consolidated financial statements for the year ended 31 December 2023. Judgments and estimates that have been made are prudent and reasonable. The reporting responsibilities of the external auditor of the Company (the "External Auditor") are set out on page 127 of this Report.

In support of the above, the consolidated financial statements presented to the Board have been reviewed by Members of the Executive Directorate. For both the annual and interim reports and consolidated financial statements, the Finance Function is responsible for clearing them with the External Auditor and the Audit & Risk Committee. In addition, all new and amended accounting standards and requirements, as well as any changes in accounting policies adopted by the Group, have been discussed and reviewed by the Audit & Risk Committee before adoption by the Group.

Members of the Board endeavour to ensure a balanced, clear and coherent assessment of the Group's consolidated financial position and performance in annual reports, interim reports, inside information announcements, and other financial disclosures required under the Listing Rules and other statutory requirements.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Company has adopted a three lines of defence model, pursuant to which the first line owns and manages risks, the second line of defence ("2LoD") assists with risk management and provides complimentary support and expertise, and the third line of defence (i.e. Internal Audit) provides the highest degree of independence assurance. The below diagram illustrates the roles played by the three lines of defence.



The Board is responsible for the risk management and the internal control systems of the Company and its subsidiaries and reviewing their effectiveness on an annual basis. With the assistance of the Audit & Risk Committee as mentioned in the Audit & Risk Committee Report on pages 130 to 132 of this Annual Report, the Board oversees the Company's risk management system (the "ERM" system) and internal control system on an on-going basis, sets appropriate policies and reviews the effectiveness of the systems at least annually.

Over the course of 2023, the Company has continued to implement its strengthened 2LoD through the independent Assurance Management Department within the Legal and Governance function. The Department is complemented by technical, engineering, safety and commercial Centres of Excellence. 2LoD assurance activities now span across all Business Units of the Company, including Capital Works, Hong Kong Transport Services, Hong Kong Property, Mainland China and Macao, and International Business units.

The ERM system and the internal control system, with processes put in place by the Board, management and other personnel, are designed to manage (as opposed to eliminate) risk and provide reasonable assurance, not absolute assurance, against material misstatement or loss, regarding the achievement of objectives in the following areas:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Effectiveness of risk management

Systems Overview

The Executive Committee is responsible for:

- Implementing the Board's policies on risk management and internal controls;
- Identifying and evaluating the risks faced by the Company for consideration by the Board;

- Designing, operating and monitoring a suitable internal control system and risk management system; and
- Providing assurance to the Board that it has done so, together with a confirmation that these systems are effective and adequate.

In addition, all employees have responsibility for risk management and internal controls within their areas of accountability.

Business/Functional Management Committees

A number of committees have been established to assist the Executive Committee in the management and control of the Company's various core businesses and functions. Each committee has its own terms of reference which, together with the structure and composition of the committees, are reviewed from time to time to ensure they meet the Company's business and operational needs.

Internal Audit

The Head of Internal Audit reports directly to the Board via the Audit & Risk Committee and reports administratively to the CEO. The Internal Audit Department ("IAD") has unrestricted access to information that allows it to review all aspects of the Company's risk management, control and governance processes.

On a regular basis, it conducts audits on financial, operational and compliance controls and the risk management functions of the Company and its subsidiaries. Relevant members of the management team are responsible for ensuring that control deficiencies highlighted in internal audit reports are rectified within a reasonable time.

The IAD produces an annual internal audit plan for the Audit & Risk Committee's approval. The audits are selected based on a risk assessment of the Company's audit universe to ensure that business activities with higher risks are covered most frequently. On a quarterly basis, the Head of Internal Audit reports to the Audit & Risk Committee on major observations identified in audit reviews and the implementation progress of audit recommendations, together with her opinion on the adequacy and effectiveness of the Company's internal control system.

To ensure IAD's conformance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, an independent assessment, namely a Quality Assurance Review ("QAR"), is conducted by an external qualified party once every 5 years. The results of the QAR are reported to the Executive Committee and Audit & Risk Committee. The last QAR was conducted in 2023.

ERM system

The ERM system is an essential and integral part of the Company's corporate governance framework and helps to sustain business success and create value for stakeholders. It involves a corporate-wide systematic risk identification and management process which aims to assist the Executive Committee and individual business unit managers to manage the key risks facing the Company and supports the Board in discharging its corporate governance functions.

More details of the features of the ERM system, the process used to identify, evaluate and manage significant risks, the significant risks being managed and the process used to review the effectiveness of the ERM system are set out in the "Risk Management" section (pages 133 to 137) of this Annual Report.

In 2023, the Company commissioned an external review of its ERM system, which aimed to identify opportunities for continuous improvement. The review was completed with best practice recommendations scheduled for further development and implementation in 2024, including enhancing risk register content, streamlining the enterprise level risk profile, and introducing dynamic data and dashboards to improve transparency and management of risks.

Control Activities and Processes

To ensure the efficient and effective operation of business units and functions and the safety of the operating railway and construction works in railway projects, Corporation General Instruction(s) ("CGI(s)"), Business Units'/Functions'/Departments' procedures and manuals, committees, working groups and quality assurance units are established to monitor and enforce internal controls and evaluate their effectiveness.

CGIs and various Departments' procedures and manuals are established for preventing or detecting unauthorised expenditures/payments, safeguarding the Company's assets, ensuring the accuracy and completeness of accounting records, and the timely preparation of reliable financial information.

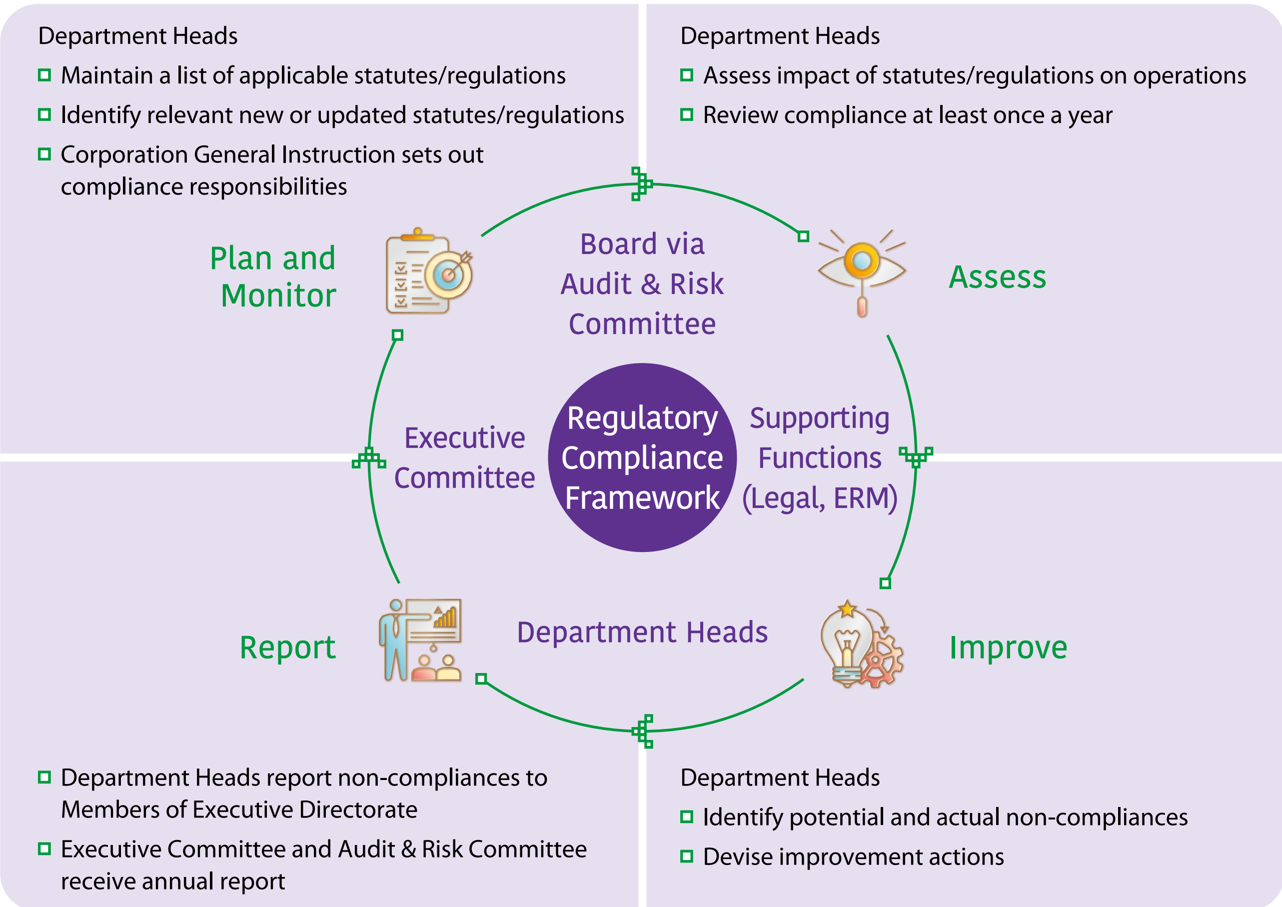
Directors and Department Heads of Business Units/Functions, including General Managers/Project Managers for overseas subsidiaries/projects, are required to conduct annual assessments and certifications on the effectiveness of risk management and internal control systems within their areas of responsibility.

Compliance with Statutes and Regulations

All Department Heads, including General Managers/Project Managers for overseas subsidiaries/projects, are responsible for ensuring compliance with the statutes and regulations applicable to their own functional units in accordance with the Regulatory Compliance Framework, with necessary legal support.

Issues relating to compliance with statutes and regulations, including potential and actual non-compliances, and the status of rectifications and actions taken to prevent recurrence are reported annually to the Executive Committee and the Audit & Risk Committee.

The diagram below shows the Regulatory Compliance Framework of the Company:



Whistle-blowing Policy

A whistle-blowing policy, which is available on the Company's website (www.mtr.com.hk), has been put in place to deal with concerns related to fraudulent or unethical acts or non-compliance with laws and the Company's policies that have or could have significant adverse financial, legal or reputational impacts on the Company. The whistle-blowing policy is regularly reviewed by the IAD. The whistle-blowing channel is available to all staff, parties who deal with the Company, as well as the general public. Every quarter, a summary of all whistle-blowing cases handled by the Whistle-blowing Panel is reported to the Executive Committee and the Audit & Risk Committee.

Inside Information Policy

The Company has developed a system with established policies, processes and procedures across all relevant Functions, Business Units and Departments for the handling and dissemination of Inside Information, which encompasses the following:

- A CGI setting out:
  - (i) the internal processes for identifying, assessing and escalating potential Inside Information to the Executive Committee and the Board;
  - (ii) the responsibilities of Model Code Managers in preserving the confidentiality of Inside Information, escalating upwards any such potential information and cascading down the message and responsibilities to relevant staff; and
  - (iii) the process for disclosure of Inside Information; and
- Training for Members of the Board and the Executive Directorate, Executive Managers, Department Heads and Model Code Managers is provided from time to time. In particular, Members of the Executive Directorate, Executive Managers, Department Heads and Model Code Managers are regularly required to complete an online training programme on Inside Information. To refresh their awareness of the Inside Information policy, a mandatory online training programme was launched in October 2022.

Evaluation of the Effectiveness of the Risk Management System

The Company has surpassed the relevant requirement in the CG Code by completing an effectiveness review of the ERM system for the Company and its subsidiaries and extending the review to the Company's key associates operating in Mainland China and overseas. For the year ended 31 December 2023, the Audit & Risk Committee, with delegated authority from the Board, has evaluated the effectiveness of the ERM system of the Company and considers that it is overall effective and adequate.

Details about the "Process of System Effectiveness Review" are set out in the Risk Management section (page 137) of this Annual Report.

Evaluation of the Effectiveness of the Internal Control System

For the year ended 31 December 2023, the annual review of the effectiveness of the internal control system of the Company and its subsidiaries and key associates was performed by the Audit & Risk Committee based on the following:

- Review of significant issues arising from internal audit reports through the quarterly IAD Reports and the external audit report
- Private sessions with internal and external auditors
- Routine interviews with the Members of the Executive Directorate
- Review of annual assessment and certification of internal controls from Members of the Executive Directorate, management of overseas subsidiaries and key associates and Department Heads in their areas of responsibility

The Audit & Risk Committee concluded that the internal control system was overall effective

Evaluation of the Adequacy of Resources of the Company's Accounting, Financial Reporting and Internal Audit Functions and for ESG Performance and Reporting

For the year ended 31 December 2023, the annual assessments performed by the Finance Function, IAD and the Environmental & Social Responsibility Department concluded that there were adequate resources, staff qualifications and experience, training programmes and budgets for the Company's accounting, financial reporting, internal audit and ESG performance and reporting functions respectively.

The Company is committed to recruit, train and develop a team of qualified and competent accountants for overseeing the Group's financial reporting and other accounting-related matters. A process to capture and update relevant laws, rules and regulations applicable to the financial reporting and accounting function is in place. Designated officers will ensure relevant standards and ordinances including Hong Kong Financial Reporting Standards, the Listing Rules and the Companies Ordinance under their responsibility are complied with. Resources and provisions required to deliver the accounting and financial reporting function are critically reviewed during the annual budgeting exercise. Company-wide recruitment processes and staff development programmes are in place to address the competency, qualifications and experience required. Adherence to the process is confirmed on an annual basis by the designated officers to the Finance Director, who will conduct a formal annual review and report the review results to the Audit & Risk Committee.

In terms of internal audit, the Company is also committed to recruiting, training and developing a team of qualified and competent internal auditors to provide independent and objective assurance along with consulting services designed to add value and improve the Company's operations. A process to capture updated standards and best practices relating to internal audit is in place. Proper recruitment processes and staff development programmes are also in place to address the competency, qualifications and experience required. The Head of Internal Audit conducts a formal annual review on the adequacy of staff resources, qualifications and experience of the internal audit function and reports the results to the Audit & Risk Committee.

In terms of ESG performance and reporting, the Company is also committed to recruiting, training and developing a team of qualified and competent specialists for overseeing the implementation of the Company's ESG initiatives, enhancing and monitoring ESG performance and preparing ESG reports and other disclosures. A process to capture and update laws, regulations, standards and best practices applicable to the Company's ESG performance and reporting is in place. Designated officers will ensure relevant ordinances, regulations and standards under their responsibility are complied with. Resources and provisions required to deliver the ESG performance and reporting function are reviewed during the annual budgeting exercise by respective business units and corporate functions. Proper recruitment processes and staff development programmes are in place to address the competency, qualifications and experience required. The Legal and Governance Director will conduct a formal annual review on the adequacy of staff resources, qualifications and experience of staff involved in delivering the Company's ESG performance and reporting function and report the review results to the Audit & Risk Committee as part of the report on risk management and internal control systems effectiveness.

Based on the above, the Audit & Risk Committee considers that the resources, staff qualifications and experience, training programmes and budgets for the Company's accounting, financial reporting and internal audit functions, as well as for the ESG performance and reporting functions are adequate.

Board's Annual Review

The Board has, through the Audit & Risk Committee, overseen the Company's risk management and internal control systems on an on-going basis. The Board has conducted its annual review of the risk management and internal control systems of the Company and its subsidiaries and key associates for the year ended 31 December 2023 and considers that such systems are overall effective and adequate, with supporting compliance mechanisms to provide assurance that the Company and its officers observe their disclosure obligations in respect of Inside Information.

The Board has also conducted a review of the adequacy of resources, staff qualifications and experience, training programmes and budgets for the Company's accounting, financial reporting and internal audit functions, as well as the ESG performance and reporting functions for the year ended 31 December 2023, and considers the above resource components to be adequate.

CRISIS MANAGEMENT

To uphold the reputation of being one of the world's leading railway operating companies and in order to ensure that the Company will respond to and recover from crises in an organised and highly effective manner, the Company has established a mechanism to activate pre-defined levels of crisis response in the event of a crisis which enable timely communication with principal stakeholders such as Government departments and shareholders. The Corporate Crisis Management Team comprises relevant Members of the Executive Directorate and Executive Managers and its operation is governed by a Corporate Crisis Management Plan which, among other things, sets out the duties of respective members. The Corporate Crisis Management Plan is kept in line with international standards and up-to-date through regular reviews. The operation of the Corporate Crisis Management Team is aided by an information system, which keeps track of the latest situation, issues and strategic actions, and disseminates crisis related information. Regular corporate crisis management exercises are held to validate the corporate crisis management mechanism and to provide practice for members.

To further enhance the crisis leadership and strategic crisis management of the Corporate Crisis Management Team, two sessions of the corporate crisis management exercise "Excellence in Crisis Leadership" were conducted in 2023. Instead of focusing on dealing with an "emergency with mass injuries" type of crisis, the exercise in 2023 used a "smouldering" type of crisis scenario with a focus on the associated stakeholder mapping and decision-making processes. Also, a computer-based training module is being developed to provide managers with the basic knowledge of the Corporate Crisis Management Framework and to enhance their awareness of smouldering issues.

GOVERNANCE OF SUBSIDIARIES AND ASSOCIATES

The Company has a number of subsidiaries and associates which operate independent businesses in Hong Kong, Macao, Mainland China and overseas. Notwithstanding the fact that these subsidiaries and associates are separate legal entities, the Company has implemented a corporate governance framework (the "Corporate Governance Framework") to ensure that it exercises an appropriate level of control and oversight as a shareholder of these subsidiaries and associates. In addition, a number of other enhancements have been made to the Company's policies and practices on corporate governance during the year ended 31 December 2023, including the rollout of new CGIs on (i) legal entity management; and (ii) connected and continuing connected transactions.

The Company's Corporate Governance Framework promotes collaboration between the corresponding Business Units/Functions in the Company on the one hand and the subsidiaries and associates on the other hand and the implementation process of the Corporate Governance Framework in the Company's subsidiaries and associates starts from the inception of any new business operations/investments, with flexibility for certain subsidiaries and associates to be exempt from compliance with the relevant CGI, subject to satisfaction of specified criteria and conditions.

Pursuant to the Corporate Governance Framework, the Company exercises its control and oversight through the formulation of a governance structure that is tailored for individual subsidiaries and associates through (i) the imposition of certain internal controls in key areas; and (ii) the adoption of management practices and policies that are appropriate to the business nature and local situation. As a result, adequate internal controls will be adopted by subsidiaries and associates and the Company will be consulted and notified on important matters, complemented by regular reporting and assurance. Compliance with this governance structure is reported by subsidiaries and associates with significant operations on an annual basis.

To facilitate colleagues who act as a director and/or alternate director of the Company's subsidiaries and associates in gaining a better understanding of their directors' duties and responsibilities, mandatory training was provided to them in January 2023, which covered the fundamental legal principles governing the duties and responsibilities of a director and key protocols and policies that are relevant to discharging their duties as the Company's representatives on the boards of directors of those entities.

BUSINESS ETHICS

Practising integrity and responsible business ethics is paramount to the Company's continued success. The Company's Code of Conduct lays down the requirements of the Company in terms of ethical practices and obliges staff to operate transparently and under the highest principles of fairness, impartiality and integrity in all of the places where the Company does business.

The Code of Conduct is reviewed and updated periodically to ensure appropriateness and compliance with corporate and regulatory requirements. The latest version was released in February 2022 in the form of a digital flipbook to facilitate staff understanding and access. In addition, another series of staff awareness programmes were launched in early June 2022. The second module on "Use of Company Resources" was launched in June 2023. Animation videos and interactive games with real life examples have been provided to staff to illustrate the guiding principles and to help staff members exercise good judgement on the use of company resources and determine if certain acts are inappropriate or unacceptable. Other education programmes, such as mandatory online training programmes, have also been introduced to raise staff awareness.

To ensure our staff members live up to the highest ethical standards, a policy related to the prevention of bribery and corrupt practices has been put in place and is reviewed periodically. Staff members are also encouraged to report existing or perceived violations of the Code of Conduct, as well as malpractices. Proper procedures relating to the whistle-blowing policy of the Company are also established, which enable staff members to raise their concerns in a safe environment and in complete confidence if they have genuine suspicions about any wrongdoings.

To assist new recruits in embracing the Company's values and ethical commitments, they are briefed on the Code of Conduct during the staff induction programme. New recruits are also required to complete mandatory online training programmes within three months of joining the Company. The Code of Conduct is available on the Company's website (www.mtr.com.hk).

In addition, the Code of Conduct serves as a guideline for establishing a comparable ethical culture among our subsidiaries and associates in Hong Kong, Macao, Mainland China and overseas.

EXTERNAL AUDITOR

The Company engages KPMG as its External Auditor. In order to maintain KPMG's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, the Audit & Risk Committee, under its terms of reference, pre-approves all audit services to be provided by KPMG and discusses with KPMG the nature and scope of their audit and reporting obligations before the audit commences.

The Audit & Risk Committee also reviews and pre-approves the engagement of KPMG to provide any non-audit services, for complying with relevant regulatory requirements and seeks to balance the maintenance of objectivity with value for money.

The nature of audit and non-audit services provided by KPMG and fees paid to KPMG (including any entity that is under common control, ownership or management with KPMG or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of KPMG nationally or internationally) are set out in note 10B to the consolidated financial statements on page 228 of this Annual Report.

For maintaining independence and objectivity as the External Auditor of the Company, KPMG implements policies and procedures to comply with professional ethics and independence policies and requirements applicable to the work it performs. In addition, KPMG requires its audit partner serving the Group to rotate off the audit engagement with the Group at least once every seven years in accordance with the Hong Kong Institute of Certified Public Accountants/International Federation of Accountants Code of Ethics.

KPMG confirms its independence with regard to The Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants regarding auditor independence.

COMMUNICATION WITH SHAREHOLDERS

The Company aims to provide shareholders with information about the Company to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The Board is responsible for maintaining an on-going dialogue with shareholders and, in particular, for communicating with them and encouraging their participation. The Company adopted a Shareholders' Communication Policy and is available on the website of the Company (www.mtr.com.hk).

A high-level summary of the Shareholders' Communication Policy is set out below:

- as a general policy: the Company (i) will assign dedicated management personnel to be in charge of ensuring effective and timely dissemination of information to shareholders; (ii) will provide shareholders with ready access to information about the Company; and (iii) will facilitate shareholders' participation in annual general meetings; and
- as specific policies: (i) corporate communications (such as annual reports, interim reports, circulars and announcements) will take full account of the Company's obligations under the Listing Rules and other relevant laws and regulations; (ii) annual general meetings and other general meetings are opportunities for shareholders to exercise their right to speak and discuss the business activities of the Company; (iii) announcements, notices, circulars and other documents as required by the Listing Rules, and news releases and data/information about latest developments of the Company are available on the Company's website; and (iv) shareholders can communicate their views on various matters affecting the Company, and the Company has set out different engagement channels to solicit and understand the views of its stakeholders.

During the year, the key communication channels and engagements with shareholders were as follows:

2023 AGM

- Held in hybrid format, which provided shareholders with the options of attending the 2023 AGM physically or joining online
- Submission of questions in advance of the 2023 AGM and/or in person or online during the 2023 AGM

Corporate Communications

- Almost 80 corporate communications documents (including annual report, interim report and sustainability report as well as various notices and announcements) were released on the websites of the Company and the Stock Exchange
- Press releases and webcast archives of the results announcements are available on the Company's website

Dividend Information

- Dividend Policy is available on page 97 of this Annual Report under "Investor Relations" section
- Dividend payment history can be found on the Company's website
- Dividend calculator is made available on the Company's website during the scrip dividend election period to facilitate shareholders' calculation of the maximum number of scrip shares to which they are entitled

Investor Meetings

- Approximately 200 meetings with institutional investors and analysts globally

The Board has conducted its annual review of the Shareholders' Communication Policy and considers that it has been effectively implemented during the year ended 31 December 2023 and remains appropriate.

Annual General Meeting

The Company's Annual General Meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with Members of the Board and Members of the Executive Directorate about the Company's performance and operations. It has been the practice for the Chairman of the Company, the chairman of each Board Committee, all Members of the Executive Directorate and the External Auditor of the Company to attend Annual General Meetings to answer shareholders' questions.

The 2023 AGM continued to be held in a hybrid format, with shareholders provided with an option to participate through an online platform with a choice of language (Cantonese, English and Putonghua). Sign language interpretation and simultaneous interpretation services continued to be made available. Shareholders could submit questions in advance of the 2023 AGM or at the meeting either in person or real-time through the online platform. For the benefit of the Company's shareholders who were unable to attend the 2023 AGM, a webcast of the whole proceedings was also posted on the Company's website for viewing during the year.

The 2024 AGM has been scheduled on 22 May 2024. To keep up with the intent of helping shareholders save time and resources and with a view to reducing the Company's carbon footprint, the Company plans to continue holding the 2024 AGM in a hybrid format, which will provide shareholders with the option of attending physically or joining the AGM online, and the abovementioned sign language interpretation and simultaneous interpretation services will continue to be provided to further facilitate smooth and direct communication between the shareholders of the Company and the Members of the Board and the Executive Directorate of the Company. The Company is committed to making available meeting facilities to enable all eligible attendees to be able to participate in the 2024 AGM.

Resolutions passed at the 2023 AGM

The Chairman proposed separate resolutions for each substantially separate issue at the 2023 AGM. Before the resolutions were considered, the Chairman exercised his right as the Chairman of the 2023 AGM under Article 71 of the Articles of Association to call a poll on all resolutions conducted by electronic means.

A total of 10 resolutions were passed at the 2023 AGM (with resolution no. 3 comprising three separate resolutions), all of which were supported by over 98% of the votes cast, with a vast majority of the resolutions receiving over 99% support. The full text of the resolutions is set out in the 2023 AGM Circular (which comprised the Notice of the 2023 AGM) dated 14 April 2023 and the results of the 2023 AGM are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

Calling General Meetings

Members of the Board may call a general meeting of the Company.

Shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings may request the Members of the Board to call a general meeting of the Company.

The requesting shareholders must state in their request the general nature of the business to be dealt with and may include the text of a resolution to be moved at the general meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy or electronic form, which must be authenticated by the requesting shareholders.

The Members of the Board are required to call a general meeting within 21 days after the date on which the Company receives such request, and the general meeting must be held on a date not more than 28 days after the date of the notice convening the general meeting. If the request includes a resolution to be moved at the general meeting, the notice of the general meeting must include notice of the resolution. If the resolution is to be proposed as a special resolution, the Members of the Board are required to specify the intention to propose the resolution as a special resolution in the notice of the general meeting.

If, within 21 days after the date on which the Company receives the required request, the Members of the Board do not proceed duly to call a general meeting, the shareholder(s) who requested the general meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, provided that the general meeting must be called for a date not more than three months after the date on which the Company receives the required request.

Procedures for Shareholders Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to the Companies Ordinance and the Articles of Association.

As regards proposing a person for election as a member of the Board, please refer to the "Appointment Procedure for Members of the Board of the Company" which is available on the website of the Company (www.mtr.com.hk).

Enquiries from Shareholders

Shareholders are, at all times, welcome to raise questions, communicate their views on various matters affecting the Company and request information (to the extent it is publicly available) from the Board and management by writing to the Company Secretary.

For other means of communication with the Company, please refer to the Investor Relations section (pages 96 to 97) of this Annual Report.

CONSTITUTIONAL DOCUMENT

The Company's Articles of Association (in both English and Chinese) are available on the websites of both the Company (www.mtr.com.hk) and the Stock Exchange. During the year ended 31 December 2023, there was no change to the Company's Articles of Association.

For and on behalf of the Board

Gillian Elizabeth Meller
Company Secretary
Hong Kong, 7 March 2024

AUDIT & RISK COMMITTEE REPORT

As at the date of this Report, the Audit & Risk Committee of the Company (referred to as the "Committee" in this Report) consists of six Non-executive Directors, five of whom are Independent Non-executive Directors of the Company. None of the Committee members was (within two years before his/her appointment as a Committee member) or is a partner or former partner of KPMG, the Company's external auditor. Details of the Committee's membership and their attendance records during 2023 are set out on pages 116 to 117 of this Annual Report.

The Finance Director (the "FD"), the Legal and Governance Director (the "L&GD") and the Head of Internal Audit (the "Head of IA"), or their respective delegates, and representatives of the external auditor are required to attend all meetings of the Committee. The Committee meets at least once every quarter and the Chairman of the Committee or any two members of the Committee or the external auditor or the FD may request additional meetings if they consider necessary.

TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference of the Committee (the "ToR") is available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

DUTIES OF THE COMMITTEE

Under the ToR, the duties of the Committee primarily comprise the following:

- Overseeing the relationship with the Company's external auditor, including making recommendations to the Board on the appointment of and any change to the Company's external auditor and communicating with the external auditor on financial matters of the Company;
- Reviewing the financial information of the Company, including monitoring the integrity of financial statements;
- Developing and implementing a policy on the engagement of the external auditor to supply non-audit services;
- Overseeing the Company's financial reporting system and internal control procedures, including overseeing the adequacy of the resources and competence of the Company's accounting and financial reporting functions;
- Overseeing the Company's Internal Audit function, including liaison with the Head of IA, approval of the annual internal audit plan of the Company and receiving periodic reports from the Head of IA;
- Reviewing the Company's enterprise risk management ("ERM") framework and the guidelines, policies and procedures for risk assessment and risk management;
- Receiving reports on the Company's enterprise risks and key emerging risks; and
- Reviewing the effectiveness of the ERM function (including staffing levels and qualifications), the Company's "Three Lines of Defence" ("3LoD") assurance framework and crisis management arrangements.

More details on the duties of the Committee are set out in the ToR and further information can be found in the "Risk Management and Internal Control Systems" section of the Corporate Governance Report on pages 120 to 125 of this Annual Report.

For more details of the features of the ERM system and processes, the significant risks being managed and the process used to review the effectiveness of the ERM system, please refer to the "Risk Management" section on pages 133 to 137 of this Annual Report.

Reporting to the Board

The Chairman of the Committee summarises the activities of the Committee and highlights issues arising therefrom or concerns raised by Committee members in a report to the Board after each Committee meeting.

The minutes of Committee meetings are prepared by the secretary of the meetings with details of the matters considered by Committee members and decisions reached, including any concerns raised by Committee members, dissenting views expressed and suggestions for enhancing the governance and internal control systems of the Company. The draft minutes are circulated to

Committee members for comment after each meeting. The Committee formally adopts the draft minutes at the next subsequent meeting, after taking into account any comments that Committee members may have made. Minutes of Committee meetings are open for inspection by Committee members at the Company's registered office.

In advance of the first regular Committee meeting each year, the secretary of the meetings pre-agrees key agenda items for the year with the Chairman of the Committee who makes a final determination on the agenda for the Committee meetings.

WORK PERFORMED BY THE COMMITTEE IN 2023

In 2023, the Committee held four regular meetings. Representatives of the external auditor, the FD, the L&GD and the Head of IA attended all four regular meetings to report and answer questions about their work. In addition, relevant Members of the Executive Directorate were invited to join certain presentations to the Committee. During the year, the Committee also held private sessions with the external auditors and the Head of IA, without the presence of Management representatives.

The Committee devoted its attention to the review of the Company's annual and interim results announcements/ financial statements at the February and August 2023 meetings respectively, while maintaining close oversight of the Company's internal controls through receiving reports from the ERM, second line of defence ("2LoD") and internal audit teams at each of the regular meetings. In addition to the four regular meetings, the Committee endorsed the submission of a paper relating to certain tax issues to the Board and approved the engagement of KPMG for providing non-audit services to an overseas subsidiary of the Company, by way of circulation during the year.

Over the course of 2023, the Company has continued to implement its strengthened 2LoD through the independent Assurance Management Department within the Legal and Governance function. The Department is complemented by technical, engineering, safety and commercial Centres of Excellence. 2LoD assurance activities now span across all Business Units of the Company, including Capital Works, Hong Kong Transport Services, Hong Kong Property, Mainland China and Macao, and International Businesses units. The Committee received a presentation on the 3LoD model and was satisfied with the designated roles and responsibilities among the 3LoD.

Other major work performed by the Committee in 2023 included:

Financial

- Reviewed the draft 2022 Annual Report, Annual Results Announcement and Financial Statements, 2023 Interim Report, Interim Results Announcement and Financial Statements, accounting matters, and relevant disclosure notes in the said Financial Statements and made recommendations on the same for the Board's approval;
- Received updates on the valuations of the Group's Hong Kong property assets and Mainland China investment properties;
- Received updates on the latest budget status of the Company's railway construction projects under entrustment by the HKSAR Government and updates on the detailed planning for the Company's new railway projects; and
- Received a preview of the 2023 interim and annual accounting, financial reporting issues and tax matters;

Internal Audit and Internal Control

- Reviewed a report on the evaluation of the effectiveness of the Internal Audit Department for 2022;
- Received the results of the Quality Assurance Review of the Company's internal audit function;
- Reviewed the continuing connected transactions for 2022;
- Reviewed Internal Audit Department's Quarterly Reports;
- Received presentations by the Mainland China Business Director and the Property and International Business Director on specific matters concerning certain Mainland/overseas subsidiaries;
- Approved updates to the Internal Audit Charter; and
- Approved the 2024 Internal Audit Plan;

External Auditor

- Received KPMG's reports on the salient features of the 2022 Annual Financial Statements and 2023 Interim Financial Statements respectively;
- Considered KPMG's independence and other relevant factors when approving the appointment of KPMG in providing non-audit services; and noted KPMG's confirmation of independence in its audit report in respect of the 2022 Annual Financial Statements and 2023 Interim Financial Statements respectively;
- Approved KPMG's fee proposal for the 2023 annual audit and the 2024 interim review, as well as other audit related and tax services; and
- Reviewed KPMG's audit plan for the year ending 31 December 2023;

Governance

- Reviewed the report on compliance with statutes and regulations, Operating Agreement and Rail Merger Related Agreements in 2022, and outstanding litigation/potential litigation;
- Endorsed the Audit & Risk Committee Report and Risk Management related disclosures for the 2022 Annual Report; and
- Reviewed summaries of key issues reported to the Audit/Risk/Governance Committees of various subsidiaries of the Company;

Risk Management and Assurance

- Reviewed the Risk Management and Internal Control Systems effectiveness paper for 2022 for submission to the Board;
- Reviewed ERM's 2022 Annual Report, 2023 Half Yearly Report and Quarterly Reports;
- Received 2LoD Assurance Reports quarterly;
- Received a report on an external review of the Company's ERM framework and recommendations for how to enhance the framework going forward;
- Received a presentation on the intent and different roles and responsibilities within the Company's 3LoD model; and
- Received an annual update on the Company's insurance policies.

RE-APPOINTMENT OF EXTERNAL AUDITOR

The Committee was satisfied with KPMG's work, its independence and objectivity, and therefore recommended the re-appointment of KPMG (which has indicated its willingness to continue in office) as the Group's external auditor for 2024 for approval by the Company's shareholders at the 2024 Annual General Meeting.

Dr Carlson Tong
Audit & Risk Committee Chairman
Hong Kong, 7 March 2024

This Audit & Risk Committee Report has been reviewed and endorsed by the Committee.

RISK MANAGEMENT

SYSTEM FEATURES

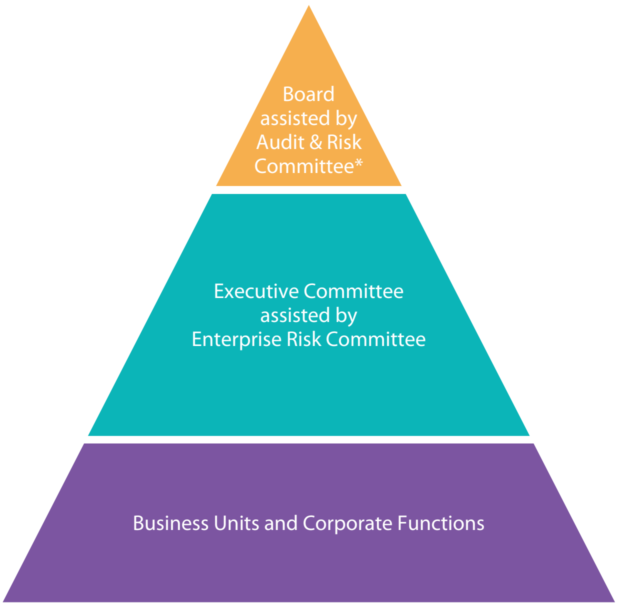
Business units across the Company embrace the Company's Enterprise Risk Management ("ERM") framework which underpins their day-to-day business activities. The framework provides a simple and effective management process to:

- Identify, assess, and effectively manage operational, functional, and enterprise risks across the Company
- Prioritise resources to manage risks
- Give management a clear view of the significant risks facing the Company
- Support decision making and project execution for better business performance

The Board, with the assistance of the Audit & Risk Committee oversees the Company's ERM framework and top risks, whereas the Executive Committee, with the support of the Enterprise Risk Committee ("ERC"), is overall accountable for the ERM policy and system implementation and continuous improvement.

The Executive Committee provides top-down views on the key risks of the Company through discussions on the quarterly enterprise risk reports and during "Blue Sky" (brainstorming) risk workshops. Two "Blue Sky" workshops were held in April and November 2023 respectively. During the April workshop, the Executives provided input to the ERM External Review (by an external independent consultant engaged in January 2023 to identify opportunities for continuous improvement), and the improvement opportunities proposed to be implemented as a result of it. During the November workshop, the Executives discussed geopolitics and the risks that the changing geopolitical situation could pose to the Company through scenario analysis, with follow-up actions identified.

The Company's risks are rigorously identified, assessed and managed. Each risk is evaluated on the likelihood of its occurrence, as well as the potential consequences, while taking existing controls into consideration. A risk matrix is used to determine a risk rating (E1 – E4), with E1 being a relatively high risk and E4 being a relatively low risk. The risk rating determines the required level of management attention and risk treatment effort, while considering the Company's risk appetite. The highest category of risk, "E1", is subject to Board, Board Committee and Executive Committee oversight.



- Exercise ongoing risk oversight
- Establish appropriate risk management strategies
- Oversee the ERM framework
- Review top risks and emerging risks
- Conduct annual review of ERM system effectiveness

- Implement and continuously improve ERM framework
- Enterprise Risk Committee
  - Chaired by Legal and Governance Director
  - Comprises representatives from all business units and corporate functions
  - Steers framework implementation and improvement
  - Reviews Company's top risks and key emerging risks
  - Reports to Executive Committee and Audit & Risk Committee quarterly, and to Board every six months

- Establish arrangements and implement risk management process consistent with the Company's ERM framework and policy
- Manage risks, and identify and implement risk controls
- Capture identified risks in risk registers for regular review and monitoring

* *See the Audit & Risk Committee Report (pages 130 to 132 of this Annual Report) for duties and work performed by the Committee in 2023.*

While encountering risk is inevitable in the course of business, the Company's appetite for risk varies and is particularly low in certain areas such as in relation to public and employee safety and the provision of a reliable transport service.

The Company's ERM system provides an important internal control in identifying, assessing and managing the risks affecting the Company. As a learning organisation, the Company constantly looks for improvement opportunities through internal and external reviews and studies, including learning from incidents encountered during its operations. In September 2023, Hong Kong experienced a severe rainstorm and a number of our stations and operations were impacted. Following the rain event and recovery effort, while the recovery was relatively well managed, the Company has reviewed relevant operating procedures, inspection regimes, and flood protection provisions for improvement opportunities. Additionally, over the second half of 2023, the Company experienced three Light Rail vehicle incidents. Refresher training for Train Captains has been implemented and a human factors review is under way. Further use of technology to improve the effectiveness of control measures is being explored as a continuous improvement measure.

MANAGEMENT PROCESS FOR SIGNIFICANT RISKS

The Company adopts a proactive management process to identify, evaluate, treat, report and monitor significant risks arising from its recurrent and growth businesses and from the constantly changing business environment. Risk management strategies are developed for different areas including, but not limited to, operations, construction, finance, and environment, social and governance ("ESG").

Identify Risk*

- Existing businesses
- Changing external environment
- New projects or business ventures
- New and emerging issues or trends which may pose significant risks
- List of running issues and risk drivers for brainstorming
- Change in laws and regulations

Evaluate Risk

- Evaluate risk by estimating likelihood and consequence of the risk event
- Determine risk rating using the risk matrix (E1-E4)

Treat Risk*

- Take into account risk appetite
- Avoid risks where no appetite and possible to do so
- Mitigate – review controls in place to evaluate adequacy and effectiveness and ensure owners in place to implement
- Transfer – take out insurance to transfer risks where cost effective and efficient
- Accept once mitigated to an appropriate level

Report and Monitor Risk

- Capture risks in risk registers
- Periodic ERM reports to
  - Enterprise Risk Committee
  - Executive Committee
  - Audit & Risk Committee
  - Board

* *Areas below are not exhaustive*

The ERM Team within the Legal and Governance Function maintains a list of running issues and risk drivers pertinent to the changing business and external environments, which is used to assist the ERC in identifying potential risks that may emerge.

In addition, the ERC and the Executive Committee review the Company's enterprise risk profile and brainstorm emerging risks quarterly to ensure key risks are captured, assessed and controlled. The Board also reviews these on a six-monthly basis.

Key risk management focus areas for the Company include:

Effective and Balanced Relationship with Key Stakeholders	
Key Challenges	• Diverse stakeholder expectations • Upholding public confidence in light of operational incidents • Building relationships with communities and stakeholders affected by new projects
Key Controls	• Implement proactive tailored engagement plans for different stakeholders to maintain effective communication and understanding • Fulfill the Company's operating obligations and maintain good performance

Operations	
Key Challenges	• Uphold asset performance while assets are ageing • Manage interfaces from works along the operating railway to mitigate any major impact on train services • Secure sufficient Non-traffic Hours ("NTH") possessions to meet asset replacement and maintenance needs • Replace complex signalling systems in a live operating railway environment • Being resilient in the face of extreme weather events
Key Controls	• Strengthened governance of asset replacement strategy to manage asset replacement demand • Pursue continuous improvement opportunities regarding asset management • Explore use of technology to monitor asset condition and performance • Railway Protection and assurance teams to review potential railway interface hazards • Secure required NTH possessions through the NTH Office established to coordinate supply and demand across business units and invest in necessary resources • Engage independent safety assessor to assist delivery of safety critical projects to safety and quality standards • Comprehensive investigation of incidents followed by implementation of corrective and preventative actions • Enhanced operating procedures, inspection regimes and flood protection provisions, and enhanced design standards

People	
Key Challenges	• Talent recruitment and retention especially for specific disciplines, new/growth business
Key Controls	• Succession planning, talent development, forward manpower planning and resourcing strategies • Employee Engagement Survey to gauge more accurately staff sentiment, addressing issues raised via action plans executed by taskforces • Proactive employee engagement through various communication channels, starting with the onboarding process

New Projects Quality, Programme and Cost	
Key Challenges	• Delivering new projects on time, within budget, and to the expected standard of quality while meeting stakeholder expectations • Obtaining adequate and timely NTH possessions to deliver new projects on time while need for operational maintenance/asset replacement NTH possessions is met
Key Controls	• Deploy three lines of defence to provide project assurance, including audits and assurance to ensure compliance with processes and procedures • Revamped Capital Works Project Integrated Management System • Monitoring of project quality and progress against Key Performance Indicators • Stringent control of change and management of contingency funds • Introduction of competency and resource management framework in the Capital Works Business Unit to ensure sufficient staff with the right skills and competencies • Increased use of technology to deliver and manage projects, including the use of Building Information Modelling ("BIM") and digital supervision and record keeping • NTH Office established to coordinate supply and demand for track possessions across business units and to develop initiatives and procure resources to improve possession efficiency • Proactive engagement with Government to establish the future way of delivering railway projects

New Business Model/Technological Disruption/Competition	
Key Challenges	• Current business model disrupted by new technology • Manage competition from other transport providers
Key Controls	• Invest in technology and digital solutions to strengthen business model • Monitor competition from other transport providers and implement initiatives to maintain market share

Delivery of Growth Strategy	
Key Challenges	• Keen competition for business opportunities outside Hong Kong • Business performance below bid models and assumptions • Heightened geopolitical risk
Key Controls	• Ongoing engagement with Government to establish business models for new lines in Hong Kong • Maximise branding effect of the Company and stakeholder engagement • Diversify the Company's businesses in locations outside Hong Kong and conduct regular scans for new business opportunities • Formulate and implement business improvement plans for underperforming businesses • Regular geopolitical risk pulse check surveys

Security threat (cyber/physical)	
Key Challenges	• Threat of cyber-attack on Operations and IT systems • Terrorist attack threat
Key Controls	• Enhanced corporate security governance framework and security measures • Enhanced vulnerability management to identify and remediate vulnerabilities proactively • Enhanced Identity and Access Management System to protect against unauthorised access of critical IT systems • Enhanced IT network resilience to protect against cyber-attacks • Enhanced threat intelligence engagement to improve anomaly detection and protection against endpoints, networks, and application systems • Convergence of the Security Operation Centres of IT and Operations Technology ("OT") to improve the effectiveness on detecting cyber-attacks • Conduct of regular Red Teaming exercises to enhance incident response and vulnerability discovery capabilities • Continuous monitoring of the exposure of the Company's digital assets to the public internet

The long-term financial sustainability of the Company is continuously monitored by the Board and the Executive Committee. Following the world's gradual transition towards a more manageable endemic era of COVID-19 and the boundary reopening between Hong Kong and Mainland in early 2023, our recurrent businesses have benefited from the revitalisation of the travel, tourism and retail industries. Based on the 2024 Budget and Longer-term Forecast, the Group's 10-year net debt-to-equity gearing ratios are considered reasonable. Overall, the financial position of the Group remains sound. The Group has also been implementing transformation initiatives with a view to further improving the Group's profitability in the longer-term, while the new railway and other projects with established viable business cases will also contribute to the Group's long-term financial sustainability.

The Company is currently in discussion with Government on certain new railway projects, and the funding requirements and challenges of these new projects will be carefully considered with regard to the long term financial sustainability of the Company.

ESG risks are identified through the ERM framework, and are mapped against relevant issues to determine material aspects during the materiality assessment process. As exemplified by the severe rainstorm event in September 2023 which affected a number of our stations, extreme weather events reflect a more imminent threat as they become more prevalent in Hong Kong; other climate change related physical and transitional risks, such as sea level rise and heightened regulatory regimes and disclosure requirements, are continuously monitored and managed.

Process of System Effectiveness Review

On behalf of the Executive Committee, the ERC evaluates the effectiveness of the ERM system at least annually. The Legal and Governance Director, who chairs the ERC, presented the ERM system effectiveness review results for the year ending 31 December 2023 to the Executive Committee, which confirmed its agreement with the review results on 1 February 2024 and to the Audit & Risk Committee on 26 February 2024, who likewise confirmed their agreement with the review results.

The Audit & Risk Committee, with delegated authority from the Board, has evaluated the effectiveness and adequacy of the Company's ERM system and considers it to be overall "effective and adequate", based on a number of review areas.

Factors considered during the review

- Review areas suggested in the Corporate Governance Code for the Board's annual review of the risk management system
- Annual internal certification of risk management effectiveness by Department Heads and Heads of subsidiaries/associates
- Risk management of subsidiaries/associates
- Benchmarking/roundtable/peer group engagements and interactions
- Risk management training and promotion events held in 2023

Conclusion

The ERM system was considered overall effective and adequate for the year ended 31 December 2023.

CONTINUOUS PROCESS IMPROVEMENT

Key initiatives undertaken in relation to the ERM system in 2023 include the following:

- The ERM Team continued to produce ERM Newsletters for dissemination to all staff focusing on topical issues in risk management, aiming to raise risk awareness and share good risk management practices.
- The annual Risk Awareness Week (or "RAW") campaign for promoting risk awareness and risk management discussions across the organisation was kicked off on 12 October 2023 by a keynote seminar on the theme "Building Risk Resilience". The seminar was well received and was attended by about 270 department heads and senior managers. Four half-day interactive workshops on barrier-based risk management using the Bow-Tie risk analysis method were also arranged for senior supervisors/managerial staff from different business units/functions. As part of the 2023 Corporate Safety Month and Safety Hackathon, there was also a series of Bow-Tie training sessions taught by internationally renowned safety experts. These workshops and training sessions helped uplift the risk management capability and capacity across the Company.
- In 2023, the ERC commissioned an external review of the Company's ERM system, which aimed to identify opportunities for continuous improvement. The review was conducted by an independent consultant to identify and prioritise review focus areas. The review was completed with best practice recommendations scheduled for further development and implementation in 2024, including enhancing risk register content, streamlining the enterprise level risk profile, and introducing dynamic data and dashboards to improve transparency and management of risks.
- Over the course of 2023, the Company has continued to implement its strengthened second line of defence ("2LoD") activities through the independent Assurance Management Department within the Legal and Governance Function. The Department is complemented by technical, engineering, safety and commercial Centres of Excellence. 2LoD assurance activities now span across all business units of the Company, including Capital Works, Hong Kong Transport Services, Hong Kong Property, Mainland China and Macau, and International Business units.
- We keep ourselves abreast of the latest developments in risk management through reviews with users, reviewing a variety of global risk reports, and cross-industry benchmarking and experience sharing, including through participation in UK and Hong Kong ERM Roundtable meetings.

CAPITAL WORKS COMMITTEE REPORT

As at the date of this Report, the Capital Works Committee of the Company (referred to as the "Committee" in this report) consists of five Non-executive Directors, four of whom are Independent Non-executive Directors of the Company ("INEDs"). Details of the Committee's members and their attendance records during 2023 are set out on pages 116 to 117 of this Annual Report.

DUTIES OF THE COMMITTEE

The Committee's Terms of Reference had been updated in 2023 and are available on the website of the Company (www.mtr.com.hk).

The Committee provide oversight and advice to the Board in respect of any capital project of the Company in Hong Kong and outside of Hong Kong involving design and/or construction and/or replacement activities ("Relevant Project") with a capital value in excess of HK$10 billion and any other Relevant Project, in the event that such Relevant Project is four months or more behind programme on an overall basis:

- review the progress of such projects, from a programme, cost, quality, safety, environmental and stakeholder engagement perspective;
- review matters that could have a material impact on the programme, cost, quality, safety, environmental and stakeholder engagement aspects of such projects, including the management thereof and processes adopted by the Company in supervising and managing the projects;
- review non-compliances in relation to materials, works and processes;
- review the sufficiency of resources for and the supervision of such projects;
- keep under review the Company's communication strategy and protocols and crisis management plans in respect of such projects.

The Committee also review major technical or engineering contracts of the Company in excess of the thresholds set out in Appendix 1 to the Protocol of Conduct of Business of MTR Corporation Limited and provide guidance and recommendations, as appropriate.

The Committee report to the Board after every Committee meeting and on an ad hoc basis if the Committee deems appropriate.

WORK PERFORMED BY THE COMMITTEE IN 2023

In 2023, the Committee held five meetings at which the following key matters were reviewed and considered:

- progress and issues related to the Company's capital projects under construction including the Tung Chung Line Extension, the Oyster Bay Station, the Tuen Mun South Extension, the Kwu Tung Station on the East Rail Line and the Signalling Replacement Works on the urban lines
- planning and design work for other new railway projects, including the Airport Railway Extended Overrun Tunnel, the Hung Shui Kiu Station and the Northern Link
- half-yearly reports on the construction programme and cost status of all the awarded development projects of the Company's Property Business Unit in Hong Kong
- half-yearly reports on projects-related audits conducted by the Company's Internal Audit Department
- recommendation for award of contracts on Signalling Works for Lantau projects, Tung Chung West Station and tunnels, Tung Chung East Station and associated enabling works for track diversions, New Tuen Mun Swimming Pool, Kwu Tung Station on East Rail Line, Oyster Bay Station and associated works, and Tuen Mun South Extension Stations, Viaducts and River Crossing

Chief Executive Officer attended one meeting in 2023. Capital Works Director attended five meetings in 2023. General Manager – New Territories (Projects), General Manager – Lantau (Projects) and General Manager – Commercial Management attended four Committee meetings in 2023, to report and answer questions on projects related matters. Operations & Innovation Director attended three meetings in 2023 to report and answer questions on Signalling Replacement Works. General Manager – Property Projects attended two meetings in 2023 to report and answer questions on progress of awarded Property development projects. Other executives and senior managers were also invited to attend Committee meetings when required. I thank Committee members and colleagues for their support and hard work.

Mr Cheng Yan-kee
Capital Works Committee Chairman
Hong Kong, 7 March 2024

The Capital Works Committee Report has been reviewed and endorsed by the Committee.

FINANCE & INVESTMENT COMMITTEE REPORT

The Finance & Investment Committee (referred to as the "Committee" in this report) was established on 1 February 2022. As at the date of this Report, the Committee consists of five Non-executive Directors, of which four are Independent Non-executive Directors (INEDs). The Chairman of the Committee is an INED. Details of the Committee's members and their attendance records during 2023 are set out on pages 116 to 117 of this Annual Report.

The Chief Executive Officer, the Finance Director, and the General Manager – Corporate Finance are required to attend all meetings of the Committee. Other executives and senior managers were also invited to attend Committee meetings when required.

DUTIES OF THE COMMITTEE

The Committee's Terms of Reference are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

Reviewing proposals from the Company's Executive Directorate on the following matters and providing an assessment of such proposals to the Board for its consideration:

- the annual budget and financing plan of the Company;
- the Company's preferred financing model;
- the Company's dividend policy;
- if in excess of the financial or other thresholds set by the Board, bank borrowings or other financing agreements, investments and disposals, parent company guarantees, expenditure and revenue contract awards;
- the strategy for (if in excess of the investment threshold set by the Board) and the award of tenders for the Company's property development projects in Hong Kong;
- the average and floor selling prices for units within the Company's property development projects;
- project proposals for new capital works projects in Hong Kong; and
- the investment caps for the Company's Mainland China and International Businesses and for any other part(s) of the Company's business.

WORK PERFORMED BY THE COMMITTEE IN 2023

During 2023, the Committee held ten meetings at which the following key proposals were reviewed and considered, and the Committee made corresponding recommendations to the Board for its consideration:

- the project agreements required for undertaking the Tuen Mun South Extension and Kwu Tung Station railway extension projects;
- project proposals for undertaking certain railway extension projects;
- tender submission for an overseas railway franchise contract;
- long term plan and associated financing requirements for certain overseas business;
- New Growth Engine business strategy and investment update;
- Award of certain major construction contracts;
- Debt issuance programmes and arrangements for additional financing for 2023;
- the Company's 2023 Revised Budget, 2024 Budget and Longer-Term Forecast;
- the Company's 2022 Final Dividend and 2023 Interim Dividend; and
- the tender arrangements and sales price proposals of various property development projects.

Mr Andrew Brandler
Finance & Investment Committee Chairman
Hong Kong, 7 March 2024

The Finance & Investment Committee Report has been reviewed and endorsed by the Committee.

REMUNERATION COMMITTEE REPORT

INTRODUCTION

The Remuneration Committee has been delegated the authority to consider and recommend to the Board the Company's remuneration policy and the remuneration packages of the Non-executive Directors, as well as to review and determine the remuneration packages for the Chief Executive Officer and other Members of the Executive Directorate.

Throughout the year, the Committee met regularly to discuss and approve remuneration issues pertaining to the Company's Core Incentive Scheme, long-term incentive scheme, and also the remuneration packages of the Chief Executive Officer and other Members of the Executive Directorate in the light of the Company's remuneration policy, and to consider and make recommendations to the Board on the remuneration packages of the Non-executive Directors. In determining the remuneration of the Chief Executive Officer, the Committee consults with the Chairman and in the case of other Members of the Executive Directorate, the Committee consults with both the Chairman and the Chief Executive Officer in respect of their recommendations.

Currently, the Committee has seven Non-executive Directors, four of whom are independent Non-executive Directors. The Chairman of the Remuneration Committee is an independent Non-executive Director. As necessary and with the agreement of the Chairman of the Remuneration Committee, the Remuneration Committee is authorised to obtain outside independent professional advice to support the Committee on relevant issues. No individual Director or any of his associates is involved in deciding his own remuneration.

The principal responsibilities of the Remuneration Committee include:

- Formulating a remuneration policy and practices that facilitate the employment of top quality talent;
- Recommending to the Board the remuneration of the Non-executive Directors;
- Determining, with delegated responsibility, the remuneration packages of Members of the Executive Directorate; and
- Reviewing and approving performance-based remuneration of Members of the Executive Directorate by reference to the Board's corporate goals and objectives.

The Committee's responsibilities are set out in its Terms of Reference and are consistent with the Code.

This Remuneration Committee Report has been reviewed and authorised by the Remuneration Committee of the Company.

REMUNERATION POLICY

It is the Company's policy to ensure that remuneration is appropriate and aligns with the Company's goals, objectives and performance. To achieve this, the Company has taken into consideration a number of relevant factors such as salaries paid by comparable companies, job responsibilities, duties and scope, employment conditions elsewhere in the Company and its subsidiaries, market practices, financial and non-financial performance, and the desired mix of fixed and performance-based remuneration.

The Company is committed to effective corporate governance and employing and motivating top quality talent. The Company also recognises the importance of a formal and transparent remuneration policy covering its Board and Executive Directorate.

REMUNERATION FOR NON-EXECUTIVE DIRECTORS

The Remuneration Committee makes recommendations to the Board from time to time on the remuneration of the Members of the Board who are Non-executive Directors. The remuneration of Non-executive Directors is in the form of annual director's fees.

To ensure that Non-executive Directors are appropriately remunerated for their time and responsibilities devoted to the Company, the Committee undertakes periodic reviews and considers the following factors as they put forward recommendations to the Board:

- Fees paid by comparable companies;
- Time commitment;
- Responsibilities of the Non-executive Directors; and
- Employment conditions elsewhere in the Company.

Details of the remuneration for the Non-executive Directors are set out in note 11 to the consolidated financial statements. The current Non-executive Director fees payable in respect of each Board Committee and Advisory Panel in effect since 1 July 2023, are set out below:

Board/Board Committees/ Panel Memberships	Annual Fees (HK$)
Board	
– Chairman	1,500,000
– Other Members	350,000
Audit & Risk Committee, Capital Works Committee, and Finance & Investment Committee	
– Chairman	160,000
– Other Members	100,000
Remuneration Committee, Nominations Committee, Environmental & Social Responsibility Committee, and Technology Advisory Panel	
– Chairman	120,000
– Other Members	70,000

REMUNERATION FOR EMPLOYEES

The Company's remuneration structure for its employees, including the Chief Executive Officer and other Members of the Executive Directorate, comprises:

- fixed compensation – base salary, allowances and benefits-in-kind (e.g. medical);
- variable incentives – discretionary or performance-based payment and other business-specific cash incentive plans;
- long-term incentives – e.g. restricted shares and performance shares; and
- retirement schemes.

The specifics of these components are described below.

Fixed Compensation

Base salary and allowances are set and reviewed annually. The annual review process takes into consideration the Company's remuneration policy, competitive market positioning, market practice, as well as the Company's and the individuals' performance. Benefits-in-kind are reviewed as and when appropriate taking into consideration market practices.

Variable Incentives

The Chief Executive Officer, other Members of the Executive Directorate and management of the Company are eligible to receive an annual performance-based cash incentive under the Company's Core Incentive Scheme ("CIS"), the terms and rules of which are regularly reviewed by the Remuneration Committee.

Under the current scheme rules, the overall CIS funding is subject to the Company's performance which is measured by both financial and non-financial factors including:

Financial Factors

- Operating profit;
- EBITDA margin; and
- Hong Kong property development profits.

Non-financial Factors

- Results from customer satisfaction surveys;
- Fulfillment of the Customer Service Pledges; and

- Fulfillment of Performance Requirements in relation to "Train Service Delivery", "Passenger Journeys on Time" and "Train Punctuality" as defined in Schedule 2, Part 1 of the Operating Agreement.

CIS funding will be automatically reduced if the Company does not achieve any one or more of the Performance Requirements. They will also be adjusted subject to the Company's achievement of all the Customer Service Pledges. The final payout will then be adjusted based on the performance of individual employees.

Following the end of each year, the Company engages an independent expert to conduct a review and audit of its performance against the Performance Requirements and Customer Service Pledges. The results of this audit are shared with the Remuneration Committee to determine if adjustments to the funding under the scheme are appropriate.

Individual performance ratings are part of the thorough annual performance assessment process that is applied throughout the Company. The performance ratings and assessments reflect the full range of factors over which the individual has accountability, including operational, other non-financial and financial factors. Performance for the Chief Executive Officer is assessed by the Chairman, and the individual performance ratings for other Members of the Executive Directorate are determined by the Chief Executive Officer.

Target incentive levels for the Chief Executive Officer and other Members of the Executive Directorate represent approximately 25-35% of total cash compensation.

In addition, the Company operates other business-related incentive schemes to motivate the staff concerned to reach specific business targets of the Company.

Discretionary Awards

In 2023, discretionary awards were provided to non-managerial staff with competent or above performance, as a recognition of their contribution to the Company's performance and achievements in the past year and to motivate staff to strive for continuous business growth.

Long-Term Incentives

During 2023, the Company maintained the Executive Share Incentive Scheme.

Executive Share Incentive Scheme

On 15 August 2014, the Board approved the adoption of the Executive Share Incentive Scheme, following the expiry of the 2007 Share Option Scheme on 6 June 2014. The Executive Share Incentive Scheme took effect on 1 January 2015 for a term of 10 years (unless terminated earlier by the Company).

The purposes of the Executive Share Incentive Scheme are to retain management and key employees, to align participants' interests with the long-term success of the Company and to drive the achievement of strategic objectives of the Company.

The Remuneration Committee may, from time to time, at its absolute discretion, determine the criteria for any eligible employee to participate in the Executive Share Incentive Scheme as award holders in accordance with the rules of the Executive Share Incentive Scheme. An award holder may be granted an award of Restricted Shares and/or Performance Shares. Awards under the Executive Share Incentive Scheme were granted to selected employees of the Company, including Members of the Executive Directorate, in 2023. Award holders are entitled to cash dividends accrued in respect of unvested Restricted Shares that are granted on or after 1 January 2018.

Restricted Shares are awarded on the basis of the individual performance of the relevant eligible employees and vest ratably over three years in equal tranches (unless otherwise determined by the Remuneration Committee).

Performance Shares are awarded every three years and vest subject to the performance of the Company over a pre-determined performance period, assessed with reference to such Board-approved performance metric and in respect of such performance period, and any other performance conditions, as determined by the Remuneration Committee from time to time. For the most recent performance share grant covering 2021 to 2023, performance metrics include financial metrics and operational and strategic metrics to support the Company's growth and transformation, Environmental, Social and Governance commitments and project delivery in Hong Kong.

In general, the Company will pay to the third party trustee (the "Trustee") monies and may give directions or a recommendation to the Trustee to apply such amount of monies and/or such other net amount of cash derived from shares held as part of the funds of the trust to acquire existing shares from the market. Such shares will be held on trust by the Trustee for the relevant award holders. The Trustee shall not exercise any voting rights in respect of any shares held in the trust and no award holder is entitled to instruct the Trustee to exercise the voting rights in respect of any unvested award shares. For purpose of the Chapter 17 of the Listing Rules which came into effect on 1 January 2023, the scheme is classified as "share schemes involving existing shares of listed issuers".

As part of the overall governance of the Executive Share Incentive Scheme, the Company reviews scheme features on a regular basis to ensure continued relevance and effectiveness.

Details of the Executive Share Incentive Scheme and shares granted to Members of the Executive Directorate and selected employees of the Company under the Executive Share Incentive Scheme are set out in notes 11 and 44 to the consolidated financial statements.

Retirement Schemes

In Hong Kong, the Company operates four retirement schemes under trust, the MTR Corporation Limited Retirement Scheme (the "MTR Retirement Scheme"), the MTR Corporation Limited Provident Fund Scheme (the "MTR Provident Fund Scheme") and two Mandatory Provident Fund ("MPF") Schemes, the "MTR MPF Scheme" and the "KCRC MPF Scheme", with details as follows:

(i) MTR Retirement Scheme

The MTR Retirement Scheme is a defined benefit scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO") and has been granted an MPF Exemption Certificate by the Mandatory Provident Fund Schemes Authority (the "MPFA").

The MTR Retirement Scheme has been closed to new employees from 1 April 1999 onwards. It is administrated in accordance with the Trust Deed and Rules by the Board of Trustees, comprising management and employee representatives, and independent non-employer trustees. It provides benefits based on the greater of a multiple of final salary multiplied by the number of years of service and a factor multiplied by the accumulated member contributions with investment returns. Members' contributions are based on fixed percentages of base salary. The Company's contributions are determined by reference to an annual actuarial valuation carried out by an independent actuarial consulting firm.

(ii) MTR Provident Fund Scheme

The MTR Provident Fund Scheme is a defined contribution scheme registered under the ORSO and has been granted an MPF Exemption Certificate by the MPFA. All benefits payable under the MTR Provident Fund Scheme are calculated by reference to members' own contributions and the Company's contributions, together with investment returns on these contributions. Both members' and the Company's contributions are based on fixed percentages of members' base salary.

(iii) MTR MPF Scheme

The MTR MPF Scheme is a defined contribution scheme covered under an MPF master trust registered with the MPFA. It covers those employees who did not opt for or who are not eligible to join the MTR Retirement Scheme or the MTR Provident Fund Scheme. Both members and the Company each contribute to the MTR MPF Scheme at the mandatory levels as required by the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (the "MPFSO"). The Company makes additional contributions above the mandatory level for eligible members who joined the MTR MPF Scheme before 1 April 2008, subject to individual terms of employment.

(iv) KCRC MPF Scheme

The KCRC MPF Scheme is a defined contribution scheme covered under an MPF master trust registered with the MPFA. It covers those former KCRC employees who were previously members of the KCRC MPF scheme and were eligible to join the MTR Provident Fund Scheme but opted to re-join the KCRC MPF Scheme. Both members and the Company each contribute to the KCRC MPF Scheme at the mandatory levels as required by the MPFSO.

The Members of the Executive Directorate who were hired by the Company before 1 April 1999 are eligible to join the MTR Retirement Scheme. Other Members of the Executive Directorate are eligible to join either the MTR Provident Fund Scheme or the MTR MPF Scheme.

Dr. Jacob Kam, the Company's Chief Executive Officer effective from 1 April 2019, participates in the MTR Provident Fund Scheme.

For subsidiary companies in Hong Kong, Macau, the Mainland of China, United Kingdom, Sweden and Australia, the Group operates retirement schemes established in accordance with, in the case of subsidiaries in Hong Kong, the MPFSO and, in the case of subsidiaries in Macau, the Mainland of China and overseas, their respective local laws and regulations.

Work performed by the Remuneration Committee during the year

- Approved the 2022 Remuneration Committee Report as incorporated in the 2022 Annual Report;
- reviewed and approved payouts under the Company's performance-based CIS for the 2022 performance period;
- reviewed and approved restricted share and/or performance share awards for eligible employees under the Executive Share Incentive Scheme;
- conducted an annual review of the remuneration packages for Members of the Executive Directorate, which took effect in July 2023;
- conducted review on the remuneration packages for Members of the Executive Directorate, as appropriate; and
- recommended for approval by the Board a revised remuneration framework and adjustments to the membership fees for Non-executive Members of the Board, Board Committees and Advisory Panel

REMUNERATION OF NON-EXECUTIVE AND EXECUTIVE DIRECTORS

The total remuneration of the Members of the Board and the Executive Directorate is shown below and the remuneration details are set out in note 11 to the consolidated financial statements.

in HK$ million	**2023**	2022
Fees	**10.4**	9.7
Base salaries, allowances and other benefits-in-kind	**63.9**	62.6
Variable remuneration related to performance	**26.6**	21.9
Retirement scheme contributions	**7.0**	6.5
Share-based payments	**22.8**	29.9
Total	**130.7**	130.6

Please refer to note 11 to the consolidated financial statements for information relating to the five highest paid employees of the Company for the year ended 31 December 2023.

Dr Dorothy Chan Yuen Tak-fai
Remuneration Committee Chairperson
Hong Kong, 19 February 2024

BOARD AND EXECUTIVE DIRECTORATE

Full biographies of Members of the Board and the Executive Directorate are available on the Company's website (www.mtr.com.hk).

MEMBERS OF THE BOARD

Dr Rex Auyeung Pak-kuen*

GBS, JP

Age 71

Chairman (since 1 July 2019)
NED (since 7 March 2019)
Environmental & Social Responsibility Committee *(Chairman)*
Nominations Committee *(Member)*
Remuneration Committee *(Member)*

Dr Auyeung leads the Board of the Company in ensuring effective management and oversight of the Company's business affairs, formulating the corporate strategy, establishing the corporate governance structure and evaluating the performance of the Executive Directorate.

Dr Auyeung is the vice chairman and an independent non-executive director of C-MER Eye Care Holdings Limited, and an independent non-executive director of China Construction Bank (Asia) Corporation Limited.

Dr Auyeung has over 40 years of experience in the insurance industry in Canada and Hong Kong. Before his retirement in June 2017, he was Chairman – Asia of the Principal Financial Group Inc. ("PFG"), a Fortune 500 company, responsible for PFG's overall businesses in Asia.

Dr Auyeung also actively serves the public sector and is currently a member of the Board of Directors of the Investor and Financial Education Council under the Securities and Futures Commission, a board member of Bo Charity Foundation (Food Angel) and a convenor of the Advisory Committee of the Jockey Club Community eHealth Care Project.

Dr Auyeung was previously an independent non-executive director of HSBC Provident Fund Trustee (Hong Kong) Limited, Standard Life (Asia) Limited and Sompo Insurance China Co., Ltd., the chairman of Hong Kong Strategy for Financial Literacy Sub-committee on Stakeholder Coordination and Collaboration, an observer of the Independent Police Complaints Council Observers Scheme, a member of the Independent Review Committee on Hong Kong's Franchised Bus Service, the chairman of the Council of Lingnan University and the Senior Strategy and Business Advisor at Athenex Inc., a company listed on NASDAQ in the United States of America.

Dr Jacob Kam Chak-pui*

JP

Age 62

Chief Executive Officer ("CEO") (since 1 April 2019)
Environmental & Social Responsibility Committee *(Member)*

Dr Kam joined the Company in 1995 and had held various management positions in the Operations, Projects and Mainland China and International Business Divisions. Before the CEO appointment, he was the Operations Director between January 2011 and April 2016 and the Managing Director – Operations and Mainland Business from May 2016.

As the CEO, Dr Kam is responsible for all performance of the Company and its group companies, both in and outside Hong Kong.

Dr Kam is an Honorary Chairman of the International Association of Public Transport (UITP) and a member of each of the board of directors of The Community Chest of Hong Kong, the General Committee of The Hong Kong General Chamber of Commerce, and the General Committee of the Employers' Federation of Hong Kong. He is also a member of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and the chair of its Task Force on Infrastructure and Logistics.

Dr Kam qualified as a Chartered Engineer in the United Kingdom in 1989.

Andrew Clifford Winawer Brandler

Age 67

INED (since 17 May 2017)
Finance & Investment Committee *(Chairman)*
Audit & Risk Committee *(Member)*

Mr Brandler is the chairman of Sir Elly Kadoorie & Sons Limited. He was formerly the group managing director and chief executive officer of CLP Holdings Limited from 2000 to 2013, an executive director between October 2013 and April 2014, and currently is the vice chairman of the board and a non-executive director of that company. Mr Brandler is also the non-executive deputy chairman of The Hongkong and Shanghai Hotels, Limited and the chairman of the Board of Governors of the Chinese International School.

Prior to joining CLP Holdings Limited in 2000, Mr Brandler was an investment banker, his last position being Head of Asia Pacific Corporate Finance at Schroders based in Hong Kong. He is the former chairman of The Hong Kong General Chamber of Commerce.

Mr Brandler is a member of The Institute of Chartered Accountants in England and Wales.

Dr Bunny Chan Chung-bun

GBM, GBS, SBS, BBS, JP
Age 66

INED (since 20 May 2020)
Environmental & Social Responsibility Committee *(Member)*
Finance & Investment Committee *(Member)*

Dr Chan has over 30 years of experience in the garment industry and is the founder and chairman of Prospectful Holdings Limited. He is an independent non-executive director of Li Ning Company Limited, Great Harvest Maeta Group Holdings Limited and Glorious Sun Enterprises Limited. Dr Chan is currently a member of the Hong Kong delegation to the National People's Congress of the People's Republic of China. He is also the chairman and a founding member of the Hong Kong Army Cadets Association, a member of the Court of Hong Kong Metropolitan University (formerly The Open University of Hong Kong), and an advisor to Our Hong Kong Foundation.

Dr Chan was formerly an independent non-executive director of Speedy Global Holdings Limited. He was appointed to the Commission on Youth in 2004 and was the chairman from 2009 to 2015. Dr Chan set up the Hong Kong Association of Youth Development in 2007 and was the former chairman of the Kwun Tong District Council and the vice-chairperson of the Community Care Fund Task Force of the Commission on Poverty. He also served on the Financial Reporting Council, the Social Welfare Advisory Committee, the Personal Data (Privacy) Advisory Committee, and the Council for Sustainable Development.

Walter Chan Kar-lok

SBS, JP
Age 70

INED (since 22 May 2019)
Nominations Committee *(Chairman)*
Capital Works Committee *(Member)*

Mr Chan has been a practising lawyer for over 40 years and is currently a senior consultant of Messrs. So, Lung & Associates, Solicitors. He is also a China-Appointed Attesting Officer. Mr Chan currently is the chairman of The Hong Kong Housing Society and an independent non-executive director of Chiyu Banking Corporation Limited.

Mr Chan was formerly the chairman of Appeal Tribunal (Buildings), a non-executive director of the Urban Renewal Authority, a member of the Housing Authority, the Town Planning Board, the Harbourfront Commission, the Advisory Committee on Post-service Employment of Civil Servants and the Board of Advisors of Radio Television Hong Kong, and a convenor-cum-member of the Pensions Appeal Panel under the Civil Service Bureau.

Dr Dorothy Chan Yuen Tak-fai*#

Age 74

INED (since 4 July 2013)
Remuneration Committee *(Chairman)*
Capital Works Committee *(Member)*

Dr Chan is currently the Deputy Director (Administration and Resources), Head of Centre for Logistics & Transport and advisor of the International College of the HKU School of Professional and Continuing Education, and a council member of HKU SPACE Po Leung Kuk Stanley Ho Community College. She is an independent non-executive director of AMS Public Transport Holdings Limited, a director of TWGHs E-Co Village Limited, a Strategy Advisor to the Serco Group (HK) Limited, a member of the Board of Governors of the Hong Kong Institute for Public Administration, a member of the Commercial Letting Panel under the Board of West Kowloon Cultural District Authority, a board member of The Chinese Occupational Education Association, and the Honorary Fellow and an advisor to the Council of Trustees of the Chartered Institute of Logistics and Transport ("CILT").

Dr Chan was a board member of the Logistics and Supply Chain MultiTech R&D Centre Limited, the chairperson of the Sustainable Agricultural Development Fund Advisory Committee, a member of the Social Welfare Advisory Committee and the Advisory Council on Environment of the HKSAR Government, and the International President, the Global Chairperson and a Global Advisor for Women in Logistics and Transport in CILT. She was previously the Deputy Commissioner for Transport of Government from 1995 to 2002. From 2000 to 2002, Dr Chan was the Alternate Director to the office of the Commissioner for Transport, a Non-executive Director of the Company.

Cheng Yan-kee*

BBS, JP

Age 69

INED (since 22 May 2019)
Capital Works Committee *(Chairman)*
Remuneration Committee *(Member)*

Mr Cheng is a practising civil and structural engineer, and an Authorised Person and a Registered Structural Engineer under the Buildings Ordinance. He is also a Class 1 Registered Structural Engineer in the People's Republic of China.

Mr Cheng currently is a director of H. K. Cheng & Partners Limited. He is also a member of the Advisory Committee on Post-service Employment of Civil Servants and the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials.

Mr Cheng formerly was an independent non-executive director of K. H. Group Holdings Limited, President of the Institution of Structural Engineers, and Chairman of both the Council of the Hong Kong Baptist University and the Corruption Prevention Advisory Committee under the Independent Commission Against Corruption. He was also a member of the Hospital Authority, Town Planning Board and Hong Kong Housing Authority.

Hui Siu-wai^

SBS

Age 67

INED (since 26 May 2021)
Audit & Risk Committee *(Member)*
Capital Works Committee *(Member)*

Mr Hui joined the Hong Kong Government in 1978 as a student building surveyor. He worked in a wide range of posts in the former Buildings Ordinance Office, the former Building Development Department, the former Buildings and Lands Department and the Buildings Department. In 2001, Mr Hui was seconded to the Security Bureau of the HKSAR Government and assumed the position of the Principal Assistant Secretary/Special Duties, with the primary responsibility of overseeing aviation security. Before his retirement, Mr Hui was the Director of Buildings between 2014 and 2017.

Mr Hui was appointed by the HKSAR Government and served as a member of the Expert Adviser Team for the Shatin-to-Central Link Project between 2018 and 2020.

Mr Hui has been a member of the Hong Kong Institute of Surveyors since 1984.

Sunny Lee Wai-kwong*

BBS, JP

Age 64

INED (since 25 May 2022)
Technology Advisory Panel *(Chairman)*
Nominations Committee *(Member)*

Mr Lee has more than 40 years of experience in business and technology management gained in both Hong Kong and overseas. He is the vice-president (Administration) of City University of Hong Kong, and an independent non-executive director of SUNeVision Holdings Ltd and BOC Hong Kong (Holdings) Limited.

Mr Lee was the executive director of information technology ("IT") of The Hong Kong Jockey Club ("HKJC"), where he served as a member of the board of management and had overall responsibility for HKJC's IT strategy and innovation. Prior to joining HKJC, Mr Lee held various key positions at The Hong Kong and China Gas Company Limited, including as an executive committee member, and as chief information officer of the group and chief executive officer of two strategic diversification businesses, iCare.com Limited and Towngas Telecommunications Company Limited.

Mr Lee also actively serves in many governing and advisory committees in the academic, professional and community arena. He is the board chairman of Hong Kong Applied Science and Technology Research Institute Company Limited, the chairman of Public Libraries Advisory Committee and an ex-officio member of the Committee on Innovation, Technology and Industry Development of the HKSAR, and a council member of each of Hong Kong Management Association, Hong Kong Quality Assurance Agency and Hong Kong Professionals and Senior Executives Association.

Mr Lee, formerly, was a president of Hong Kong Computer Society, a chairman of the Hong Kong Institute of IT Professional Certification, a council member of Vocational Training Council, an audit committee member of Hong Kong Housing Society, a member of Working Group of Intellectual Property Trading of the HKSAR, and a board chairman of Hong Kong Education City.

Mr Lee is a Chartered IT Professional and a Chartered Engineer.

Rose Lee Wai-mun#

JP

Age 71

INED (since 16 May 2018)
Remuneration Committee *(Member)*
Finance & Investment Committee *(Member)*

Ms Lee is an Independent Non-Executive Director of Swire Pacific Limited and CK Asset Holdings Limited. She is also a member of the Election Committee of the 13th National People's Representative Meeting, a Board Member of the West Kowloon Cultural District Authority, Vice Patron of the Community Chest of Hong Kong, and a Member of the Board of Governors of Saint Francis University and Caritas Bianchi College of Careers. Ms Lee is a Fellow of The Hong Kong Institute of Bankers.

Ms Lee was previously Vice-Chairman and Chief Executive of Hang Seng Bank Limited, Group General Manager of HSBC Holdings plc, Director of The Hongkong and Shanghai Banking Corporation Limited, an Independent Non-Executive Director of CK Hutchison Holdings Limited and Chairman of the Board of Governors of The Hang Seng University of Hong Kong. In addition, she was previously Vice President of The Hong Kong Institute of Bankers, Board Member and Deputy Chairman of the Executive Committee of The Community Chest of Hong Kong, and a member of the Financial Services Advisory Committee of the Hong Kong Trade Development Council.

Jimmy Ng Wing-ka

BBS, JP

Age 54

INED (since 22 May 2019)
Nominations Committee *(Member)*
Environmental & Social Responsibility Committee *(Member)*

Mr Ng is a solicitor admitted to practise in Hong Kong and currently is a partner of Messrs. Tung, Ng, Tse & Lam, Solicitors. He is currently a member of the Hong Kong delegation to the National People's Congress of the People's Republic of China and a Legislative Council member representing the Industrial (Second) Functional Constituency. Mr Ng is an independent non-executive director of Yanchang Petroleum International Limited and Glorious Sun Enterprises Limited. He is also the chairman of the Hong Kong – Taiwan Business Co-operation Committee and the HKSAR Passports Appeal Board, a vice-chairman of the Independent Police Complaints Council, a non-executive director of The Hong Kong Mortgage Corporation Limited, a director of Hong Kong Science and Technology Parks Corporation, and a member of the Court and the Council of The University of Hong Kong, the Council of The Hong Kong Polytechnic University, the Competition Commission and the Chinese People's Political Consultative Conference of Shaanxi Province, the People's Republic of China.

Mr Ng was formerly an independent non-executive director of China Weaving Materials Holdings Limited, a non-executive director of the Mandatory Provident Fund Schemes Authority and a member of the Small and Medium Enterprises Committee of the Trade and Industry Department.

Dr Carlson Tong

GBS, SBS, JP

Age 69

INED (since 25 May 2022)
Audit & Risk Committee *(Chairman)*
Finance & Investment Committee *(Member)*

Dr Tong is a chartered accountant and has extensive experience in the financial services sector and the capital market in both the Mainland China and Hong Kong markets. He is an independent non-executive director of both Standard Chartered PLC and Hong Kong Exchanges and Clearing Limited.

Dr Tong joined KPMG UK in 1979 and became an audit partner of the firm in Hong Kong in 1989. He was elected chairman of KPMG China and Hong Kong in 2007, before becoming the Asia Pacific chairman and a member of the global board and global executive team of KPMG in 2009. Dr Tong spent over 30 years at KPMG and was actively involved in the work of the capital market, corporate governance and regulatory compliance, serving as a member of the Main Board and Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited from 2002 to 2006, before becoming the chair during 2006 to 2008. After retiring from KPMG in 2011, he was appointed a non-executive director of the Securities and Futures Commission ("SFC"), and later acted as its chairman for the period from 2012 to October 2018. Dr Tong oversaw a number of major policy initiatives during his term as the chairman of the SFC, including the introduction of the Hong Kong and Shanghai/Shenzhen Stock connect schemes and the mutual recognition of funds between the Mainland and Hong Kong.

Dr Tong, formerly, was a non-executive director of the Hong Kong International Airport Authority, chairman of Aviation Security Company Limited, chairman of the University Grants Committee, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, a vice president and a council member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Human Resources Planning Commission.

Dr Tong currently sits on various HKSAR Government and professional bodies. He is the chairman of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System, the chairman of the Task Force on Enhancing Stock Market Liquidity, a board member of each of Hong Kong Investment Corporation Limited, the Hong Kong Academy of Finance and Hong Kong Laureate Forum Limited, a member of the Judicial Officers Recommendation Commission, a member of the Greater China Strategic Advisory Group of the Institute of Chartered Accountants in England and Wales ("ICAEW") and an observer on behalf of the HKSAR Government for Cathay Pacific Airways Limited.

Dr Tong is a Fellow of ICAEW and the Hong Kong Institute of Certified Public Accountants respectively.

Sandy Wong Hang-yee

JP

Age 52

INED (since 24 May 2023)
Environmental & Social Responsibility Committee *(Member)*
Technology Advisory Panel *(Member)*

Ms Wong is a solicitor admitted to practise in Hong Kong and England and Wales. She is currently a non-executive director of Medialink Group Limited and a consultant at So, Lung & Associates, Solicitors.

Ms Wong is the chairlady of both the Human Organ Transplant Board and the Enforcement Committee of the Competition Commission. She has also taken up many public duties in serving the community, including acting as a member of each of the Town Planning Board, the Audit Committee of West Kowloon Cultural District Authority, the Competition Commission, the Hong Kong Advisory Council on AIDS, the HKSAR Election Committee, the Election Committee for the HKSAR Deputies to the 14th National People's Congress of the People's Republic of China and the Mandatory Provident Fund Schemes Appeal Board, and a co-opted member of the Broadcast Codes of Practice

Committee of the Communications Authority. Ms Wong is the Past President and a council member of the Hong Kong Federation of Women Lawyers Limited and an honorary court member of the Hong Kong Baptist University.

Ms Wong was formerly a consultant and the Head of Legal of Maxim's Caterers Limited, a consultant at Liau, Ho & Chan, Solicitors & Notaries, a member of the Chinese Medicine Practitioners Board, a member of the Hong Kong Council on Smoking and Health, and a council member and a court member of the Hong Kong Baptist University.

Adrian Wong Koon-man^

BBS, MH, JP

Age 59

INED (since 26 May 2021)
Audit & Risk Committee *(Member)*
Remuneration Committee *(Member)*

Mr Wong is an executive director and Chief Operations Officer of VL Asset Management Limited and a director of Abercan Limited. He is also a board member of Airport Authority Hong Kong and Aviation Security Company Limited, and a member of the Travel Industry Authority, the Standing Commission on Civil Service Salaries and Conditions of Service, the Public Service Commission and the Unsolicited Electronic Messages (Enforcement Notices) Appeal Board.

Mr Wong previously worked for commercial law firms in England and in Hong Kong and specialised in listings and mergers and acquisitions in the Greater China region. He was the chairman of the Corruption Prevention Advisory Committee and a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption, a member of the Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the Communications Authority, a member of the Air Transport Licensing Authority and a director of the Urban Renewal Fund.

Professor Anna Wong Wai-kwan

Age 64

INED (since 24 May 2023)
Audit & Risk Committee *(Member)*
Nominations Committee *(Member)*

Professor Wong is a Professor of Practice in Finance at the Faculty of Business and Economics and the Program Director of the Bachelor of Finance (Asset Management and Private Banking) at The University of Hong Kong. She teaches financial regulations, compliance and credit risk management at the Faculty.

Professor Wong has extensive experience in banking and finance. She had worked in major financial institutions including Citigroup, HSBC, Credit Suisse, BNP Paribas and the Chase Manhattan Bank, covering private banking, asset management, securities brokerage, corporate and commercial banking, credit and risk management. Professor Wong was the Head of Private Bank, Greater China at Credit Suisse and the CEO of HSBC Broking Services (Asia) Limited.

Professor Wong is a non-executive director of the Insurance Authority, and a member of each of the Competition Commission, the Finance Committee of the Housing Authority, the Investment Committee of The Hong Kong Polytechnic University, the Process Review Panel for the Accounting and Financial Reporting Council, the Human Capital Committee of the Financial Services Development Council and the Innovation and Technology Venture Fund Advisory Committee. She was previously a member of the Advisory Committee of the Securities and Futures Commission, and a director of the Hong Kong Securities and Investment Institute and Hong Kong Securities Association Limited.

Christopher Hui Ching-yu^ (Secretary for Financial Services and the Treasury)

GBS, JP

Age 47

NED (since 1 June 2020)
Remuneration Committee *(Member)*
Finance & Investment Committee *(Member)*

Mr Hui sits on the boards of several public bodies, including Airport Authority Hong Kong, Mandatory Provident Fund Schemes Authority, The Hong Kong Mortgage Corporation Limited and West Kowloon Cultural District Authority, and is the Chairman of the Kowloon-Canton Railway Corporation and an ex-officio member of the Financial Services Development Council ("FSDC") in his official capacity. He is also, in his official capacity, a director of Hongkong International Theme Parks Limited and Hong Kong Investment Corporation Limited. In addition, Mr Hui is a member of the Democratic Alliance for the Betterment and Progress of Hong Kong.

Mr Hui was an Administrative Officer in the HKSAR Government from 1999 to 2003 and held different positions in the Economic Development Branch, the Office of the HKSAR Government in Beijing and the Home Affairs Department. After he left the HKSAR Government in 2003, Mr Hui worked in the banking sector before joining Hong Kong Exchanges and Clearing Limited ("HKEx") in 2006. From 2006 to 2018, Mr Hui held various senior positions in the Market Development Division and Listing Division in HKEx and was the Managing Director at the time he left HKEx. He was the Executive Director of FSDC from 2019 to 2020.

Alternate Directors

(i) Joseph Chan Ho-lim *(since 1 June 2020)*
(ii) Cathy Chu Man-ling *(since 9 August 2021)*
(iii) Maurice Loo Kam-wah *(since 10 August 2020)*

Secretary for Transport and Logistics@ (Lam Sai-hung)

GBS, JP

Age 62

NED (since 1 July 2022)
Nominations Committee *(Member)*
Remuneration Committee *(Member)*

Mr Lam joined the Hong Kong Government as an Assistant Engineer in 1986. He was promoted to Chief Engineer in 2009 and to Principal Government Engineer in 2014. Mr Lam was appointed as Project Manager of the Hong Kong Island and Islands Development Office in the Civil Engineering and Development Department in 2015 and as the Director of Civil Engineering and Development in 2016. In his official capacity as the Permanent Secretary for Development (Works), Mr Lam served as a Non-executive Director and a member of each of the Capital Works Committee and the former Risk Committee of the Company during the period from 13 October 2018 to 7 October 2021.

Mr Lam is the Chairman of the Hong Kong Maritime and Port Board, Hong Kong Logistics Development Council, and Aviation Development and Three-runway System Advisory Committee, and a Vice-Chairperson of the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council. He is also a board member of Airport Authority Hong Kong and a member of the Council for Carbon Neutrality and Sustainable Development and the Steering Committee on Three-Runway System and North Commercial District.

Mr Lam is a Fellow of The Hong Kong Institution of Engineers, the Institution of Civil Engineers, United Kingdom, and the China Hong Kong Railway Institution.

Alternate Directors

(i) Under Secretary for Transport and Logistics
(Liu Chun-san since 2 August 2022)

(ii) Permanent Secretary for Transport and Logistics
(Mable Chan since 1 July 2022)

(iii) Deputy Secretary for Transport and Logistics 1
(Amy Wong Pui-man since 30 January 2023)

(iv) Deputy Secretary for Transport and Logistics 2
(Ida Lee Bik-sai since 30 January 2023)

Permanent Secretary for Development (Works)@ (Ricky Lau Chun-kit)

JP
Age 57

NED (since 8 October 2021)
Nominations Committee *(Member)*
Capital Works Committee *(Member)*

Mr Lau joined the Hong Kong Government in March 1992 and was the Director of Civil Engineering and Development from October 2018 to October 2021.

Mr Lau is a fellow of The Hong Kong Institution of Engineers and the Institution of Civil Engineers, United Kingdom.

Alternate Director

Deputy Secretary for Development (Works)3
(Tony Ho Ying-kit since 5 June 2023)

Commissioner for Transport@ (Angela Lee Chung-yan)

JP
Age 51

NED (since 28 August 2023)
Audit & Risk Committee *(Member)*
Technology Advisory Panel *(Member)*

Ms Lee, in her official capacity as the Commissioner for Transport, also serves as a director of several transport-related companies including The Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, New Lantao Bus Company (1973) Limited, Citybus Limited, The "Star" Ferry Company Limited, Western Harbour Tunnel Company Limited and Route 3 (CPS) Company Limited.

Ms Lee joined the Administrative Service in 1994 and rose to the rank of Administrative Officer Staff Grade B1 in April 2022. She has served in various bureaux and departments, including the former Homer Affairs Branch, the former Constitutional Affairs Branch, the Home Affairs Department, the Security Bureau, the former Environment, Transport and Works Bureau, the Trade and Industry Department and the former Food and Health Bureau. Ms Lee was Deputy Secretary for Home Affairs from April 2015 to October 2017, Deputy Secretary for Transport and Housing (Transport) from October 2017 to December 2020 and Deputy Secretary for Development (Works) from December 2020 to August 2023.

Alternate Director

Deputy Commissioner for Transport/Transport Services and Management
(Macella Lee Sui-chun since 1 September 2016)

Notes:
* *Also a director of the Company's subsidiary(ies).*
^ *Up for retirement by rotation and eligible for re-election at the Company's forthcoming Annual General Meeting ("AGM").*
# *Director who will retire after the conclusion of the Company's forthcoming AGM.*
@ *Director appointed by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance, who is not required to retire by rotation under the Articles of Association.*
INED : independent non-executive director
NED : non-executive director

MEMBERS OF THE EXECUTIVE DIRECTORATE

Dr Jacob Kam Chak-pui*

JP

Age 62

Chief Executive Officer (since 1 April 2019)
Environmental & Social Responsibility Committee (*Member*)

His biography is set out on page 145.

Jeny Yeung Mei-chun*

Age 59

Managing Director – Hong Kong Transport Services (since 1 October 2023)

Ms Yeung joined the Company in November 1999. Prior to her current position, Ms Yeung was the Commercial Director since September 2011, and the Hong Kong Transport Services Director since July 2021. She is currently the Chairman of Ngong Ping 360 Limited, and the Non-Executive Chairman of Octopus Holdings Limited and of two members of the Octopus Holdings Limited group.

Ms Yeung heads the Hong Kong Transport Services Business and has overall responsibility for the Company's railway transport operations and its commercial businesses in Hong Kong. These include the metro network, the Airport Express and the High Speed Rail.

Before joining the Company, Ms Yeung held various marketing and business development positions in Standard Chartered Bank (Hong Kong) Limited and Citibank in Hong Kong.

Ms Yeung is a member of the Advisory Committee on Enhancing Employment of People with Disabilities and the Council for Carbon Neutrality and Sustainable Development, a non-official member of the Immigration Department Users' Committee, and both the Commercial Properties Committee and the Finance Committee of The Hong Kong Housing Authority, and an independent non-executive director of Hongkong International Theme Parks Limited. She was an independent non-executive director of Mox Bank Limited, a director of Hong Kong Cyberport Management Company Limited and a member of the Cyberport Advisory Panel, and a member of the Hong Kong Tourism Board.

Ms Yeung is a Fellow of both The Chartered Institute of Marketing and Hong Kong Institute of Marketing and a Chartered Fellow of The Chartered Institute of Logistics and Transport in Hong Kong.

Margaret Cheng Wai-ching*

JP

Age 58

Human Resources Director (since 1 June 2016)
Environmental & Social Responsibility Committee (*Member*)

Ms Cheng is responsible for all of the Company's human resources and administration affairs. She is currently the President of MTR Academy.

Ms Cheng is a seasoned human resources practitioner with rich senior management experience. She took up different human resources roles in Citibank, N.A. between

Members of the Executive Directorate
From left to right:
Margaret Cheng Wai-ching, Sammy Wong Kwan-wai, Michael George Fitzgerald, Jeny Yeung Mei-chun, Dr Jacob Kam Chak-pui, David Tang Chi-fai, Carl Michael Devlin, Gillian Elizabeth Meller, Linda Choy Siu-min, Dr Tony Lee Kar-yun

1993 and 1997, and was with JP Morgan as Vice President, Human Resources between 1997 and 2001. From 2001 to 2013, Ms Cheng was with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and was Head of Human Resources, Hong Kong and Global Business, Asia Pacific when she left HSBC. Before joining the Company, she was Group Head of Human Resources of Hong Kong Exchanges and Clearing Limited.

Ms Cheng is serving various public duties at the HKSAR Government, including acting as the vice chairman of the Cross-Industry Training Advisory Committee for the Human Resource Management Sector under the Qualifications Framework of Education Bureau, a member of the Standing Committee on Directorate Salaries and Conditions of Service, a member of the Panel of Arbitrators appointed under the Labour Relations Ordinance, and a non-official member of the Civil Service Training Advisory Board. She is also the chairman of the Career Development Board of The Chinese University of Hong Kong, the vice-chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, as well as a board member of the Hospital Authority and the chairman of its Human Resources Committee.

Ms Cheng is currently the Immediate Past President and a Fellow Member of the Hong Kong Institute of Human Resource Management. She is also the Chairperson of The Hong Kong Management Association's People Management Committee.

Linda Choy Siu-min

Age 53

Corporate Affairs and Branding Director (since 1 July 2021)

Ms Choy joined the Company as the Corporate Affairs Director in March 2020.

Ms Choy is responsible for overseeing the Company's corporate communications, corporate relations and branding functions.

Ms Choy has extensive experience in public affairs and communications, public engagement and journalism. She started her career in 1992 as a reporter for the South China Morning Post ("SCMP") and later joined the HKSAR Government as an Administrative Officer, holding a number of positions in various policy bureaux between 1998 and 2004. Ms Choy rejoined SCMP as its China News Editor in 2004 and was later promoted to News Editor before she took on the position of Director, Government Relations of Hong Kong Disneyland Management Limited ("HKDML") in 2007. In 2008, she left this role and was appointed by the HKSAR Government as the Political Assistant to the Secretary for the Environment until 2012, after which she rejoined HKDML as its Vice President, Communications & Public Affairs, a position which she held from 2013 to January 2020.

Ms Choy is currently a member of the Lantau Development Advisory Committee and the Advisory Committee on Mental Health. She is also Vice Council Chair of Hong Chi Association, a non-government organisation in support of people with intellectual disabilities, and a member of the Public Libraries Advisory Committee, the Board of Advisors of Radio Television Hong Kong as well as the Community Involvement Committee on Greening.

Carl Michael Devlin

Age 54

Capital Works Director (since 1 August 2022)

Mr Devlin joined the Company in November 2021.

Mr Devlin is responsible for leading the Capital Works Business Unit and overseeing the Company's capital works portfolio, covering new railway extensions and operations projects.

Mr Devlin possesses extensive experience across a range of large-scale, complex and multi-disciplinary projects in different sectors including transport, rail and civil infrastructure, aviation, energy, oil and gas. He has a strong project management background with solid business leadership experience and has worked successfully with stakeholders and international companies in the United Kingdom, New Zealand, Australia, United States of America, Canada and Japan. Before joining the Company, Mr Devlin was General Manager, Rail & Mass Transit of Waka Kotahi New Zealand Transport Agency. Prior to that, from 2015 to 2018, he was the Executive Director of Construction for Horizon Nuclear Power in the United Kingdom and Programme Director for Transport for London, United Kingdom, from 2013 to 2015. Mr Devlin previously held senior leadership roles with Laing O'Rourke, BAA plc and Bechtel Infrastructure.

Mr Devlin is a Fellow Member of The Hong Kong Institution of Engineers and a Chartered Member of Engineers Ireland.

Herbert Hui Leung-wah

Age 61

Finance Director (up to 31 December 2023)

Mr Hui was the Finance Director from July 2016 to December 2023. He retired from the Company after 31 December 2023.

Michael George Fitzgerald*

Age 50

Finance Director (since 1 January 2024)

Mr Fitzgerald joined the Company in September 2023.

Mr Fitzgerald is responsible for the financial management of the Company's affairs, including financial planning and control, budgeting, accounting and reporting, and corporate finance. He also leads the treasury and investor relations functions of the Company.

Mr Fitzgerald has extensive corporate finance and investment banking experience. He started his career at KPMG in London in 1995 and worked for Société Générale from 1999 to 2014, holding various posts in London, Hong Kong and Paris. After he left Société Générale, Mr Fitzgerald joined the Orient Overseas (International) Limited ("OOIL") group as the Group Finance Director and was later appointed as the Deputy Chief Financial Officer and a member of the Compliance Committee of OOIL. He was also a director and a member of the Executive Committee of Orient Overseas Container Line Limited, the main operating company of the OOIL group.

Mr Fitzgerald is a Fellow of the Institute of Chartered Accountants in England and Wales.

Dr Tony Lee Kar-yun*

Age 63

Operations and Innovation Director (since 1 October 2023)

Dr Lee joined the Company in 1991 and has held various management positions related to the design, construction, operations and maintenance of the Company's railway system in Hong Kong. Prior to his current position, Dr Lee was appointed as the Operations Director in January 2020. He is also the Chairman of MTR Lab Company Limited, a wholly-owned subsidiary of the Company.

Dr Lee is responsible for managing the Company's railway-related asset performance, asset management, new railway projects operations planning and development, operations safety and quality in Hong Kong as well as innovation and technological development in Hong Kong Transport Services. He also oversees the Company's Digitalisation and Innovation Department with a view to establishing an integrated technology and innovation framework across the Company.

Dr Lee is currently a Member of the Hong Kong Quality Assurance Agency Governing Council. He is also a Non-official Member of the Common Spatial Data Advisory Committee, and a Member of each of the Advisory Committee of the Department of Electrical and Electronic Engineering of The University of Hong Kong, the Technical Committee of National Rail Transit Electrification and Automation Engineering Technology Research Center (Hong Kong Branch), and the Rail Excellence Advisory Panel of Land Transport Authority in Singapore.

Dr Lee is a Chartered Engineer and is a Member of The Institution of Engineering and Technology and The Hong Kong Institute of Directors.

Gillian Elizabeth Meller*

Age 51

Legal and Governance Director (since 22 February 2021)
Environmental & Social Responsibility Committee (*Member*)

Ms Meller joined the Company in August 2004. Prior to her current position, Ms Meller was the Legal Director & Secretary between September 2011 and June 2016, and the Legal and European Business Director between July 2016 and February 2021.

Ms Meller is responsible for overseeing the Company's legal, insurance, governance and risk management, environmental and social responsibility, and central procurement and supply chain functions. She is also responsible for leading the Company's assurance function with the aim of providing a strengthened second line of defence across key risk areas of the Company.

Before joining the Company, Ms Meller was Director of Legal Services for Metronet Rail SSL Limited in London, the United Kingdom, and a solicitor at CMS Cameron McKenna in London, the United Kingdom.

Ms Meller is a vice chairman of the Legal Committee of The Hong Kong General Chamber of Commerce, a member of the Listing Committee of The Stock Exchange of Hong Kong Limited and an independent director of Hong Kong, China Rugby.

Ms Meller is qualified to practise as a solicitor in Hong Kong and England and Wales. She is a representative of the China/Hong Kong Division on the Council of the international Chartered Governance Institute, a former President of The Hong Kong Chartered Governance Institute, and a Fellow of both of these institutes.

David Tang Chi-fai*

Age 59

Property and International Business Director (since 22 February 2021)

Mr Tang joined the Company in August 2004. Prior to his current position, Mr Tang was appointed as the Property Director in October 2011 and the Property and Australian Business Director in October 2020, and before that he had held various senior management positions in the then Legal and Procurement Division, the China and International Business Division, and the Property Division.

Mr Tang is responsible for all of the property development projects, asset and leasing management of investment properties (including shopping malls and offices), and property management business of the Company in Hong Kong, as well as overseeing the Company's international businesses. He is also accountable for the business results of the Hong Kong property and international businesses portfolios.

Before joining the Company, Mr Tang was Commercial Manager – Hong Kong & China Region, and Deputy General Manager – Hong Kong & China Region for Acciona, S.A. He had close to 20 years' working experience in contract administration, project management and quantity surveying in the United Kingdom and Hong Kong after starting his career as a Group Trainee of George Wimpey Plc.

Mr Tang is an adjunct professor in the Department of Real Estate and Construction at The University of Hong Kong. He is also a former co-opted member of the Public Private Partnership Projects Committee under the Board of the West Kowloon Cultural District Authority and a former non-executive director of the Urban Renewal Authority of the HKSAR Government.

Mr Tang is a Chartered Surveyor.

Sammy Wong Kwan-wai*

Age 50

Mainland China Business Director (since 1 January 2023)

Mr Wong joined the Company in 1995 as Operating Management Trainee and has since then advanced his career in the Company having taken on different positions. Prior to his current position, Mr Wong was appointed as General Manager – Shenzhen Line 4 in July 2017, Chief of Operating in January 2020 and Chief of Operating and Metro Segment in July 2021.

Mr Wong is responsible for overseeing the Company's business portfolios in Mainland China and is accountable for their business performance.

Mr Wong is a fellow member of the China Hong Kong Railway Institution, a member of The Chartered Institute of Logistics and Transport in Hong Kong and a member of the International Association of Public Transport (UITP) Asia-Pacific Urban Rail Platform Committee.

* *Also a director of the Company's subsidiary(ies).*

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of Directors during 2023 and up to the date of this Report which are required to be disclosed pursuant to the Listing Rules are set out below:

(i) Changes in Biographical Details

Name	Change(s)	Nature and Effective Date of Change(s)
Dr Jacob Kam Chak-pui	United Nations Economic and Social Commission for Asia and the Pacific	
	• Member of the Sustainable Business Network ("ESBN") Executive Council	Appointment (18 May 2023)
	• Chair of the ESBN Task Force on Infrastructure and Logistics	Appointment (18 May 2023)
	The Hong Kong Institution of Engineers • Co-opted Council Member	Appointment (20 July 2023)
	Hong Kong Quality Assurance Agency • Member of the Governing Council	Cessation (November 2023)
	Hong Kong Academy of Engineering Sciences • Fellow	Election (12 December 2023)
Andrew Clifford Winawer Brandler	CLP Holdings Limited • Vice Chairman of Board	Appointment (1 January 2023)
	Tai Ping Carpets International Limited • Non-executive Director	Cessation (15 December 2023)
Dr Bunny Chan Chung-bun	Speedy Global Holdings Limited • Independent Non-executive Director	Cessation (31 January 2023)
Walter Chan Kar-lok	Messrs. Rowland Chow, Chan & Co., Solicitors • Consultant	Cessation (1 January 2023)
	Advisory Committee on Post-service Employment of Civil Servants (Hong Kong) • Member	Cessation (1 September 2023)
	Chiyu Banking Corporation Limited • Independent Non-executive Director	Appointment (11 September 2023)
Dr Dorothy Chan Yuen Tak-fai	The Chinese Occupational Education Association • Board Member	Appointment (29 May 2023)
Christopher Hui Ching-yu	Hong Kong Investment Corporation Limited • Director	Appointment (15 February 2023)
Lam Sai-hung	Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council • Vice-Chairperson	Appointment (7 February 2023)
	Council for Sustainable Development (Hong Kong) • Member	Cessation (28 February 2023)
	Council for Carbon Neutrality and Sustainable Development (Hong Kong) • Member	Appointment (1 May 2023)
Sunny Lee Wai-kwong	Committee on Innovation, Technology and Industry Development (Hong Kong) • Ex-officio Member	Appointment (3 March 2023)
Rose Lee Wai-mun	Saint Francis University (formerly Caritas Institute of Higher Education) (Hong Kong)	Change of name (9 January 2024)
	• Member of the Board of Governors	Appointment (1 December 2023)
	Caritas Bianchi College of Careers (Hong Kong) • Member of the Board of Governors	Appointment (1 December 2023)
	CK Hutchison Holdings Limited • Independent Non-executive Director	Cessation (14 December 2023)
	CK Asset Holdings Limited • Independent Non-executive Director	Appointment (18 December 2023)

(i) Changes in Biographical Details *(continued)*

Name	Change(s)	Nature and Effective Date of Change(s)
Jimmy Ng Wing-ka	Chinese People's Political Consultative Conference of Shaanxi Province • Member	Appointment (1 January 2023)
	The National People's Congress of the People's Republic of China • Member of the Hong Kong delegation	Appointment (5 March 2023)
	Mandatory Provident Fund Schemes Authority (Hong Kong) • Non-executive Director	Cessation (17 March 2023)
Dr Carlson Tong	University Grants Committee (Hong Kong) • Chairman	Cessation (1 January 2023)
	Human Resources Planning Commission (Hong Kong) • Member	Cessation (1 January 2023)
	Standard Chartered Bank • Member of the Court	Cessation (1 January 2023)
	Hong Kong Investment Corporation Limited • Director	Appointment (15 February 2023)
	Hong Kong Exchanges and Clearing Limited • Independent Non-executive Director	Appointment (26 April 2023)
	Judicial Officers Recommendation Commission (Hong Kong) • Member	Appointment (1 July 2023)
	Task Force on Enhancing Stock Market Liquidity (Hong Kong) • Chairman	Appointment (29 August 2023)
	The Education University of Hong Kong • Doctor of Social Sciences, *honoris causa*	Conferment (10 November 2023)
	The Hong Kong University of Science and Technology • Doctor of Business Administration, *honoris causa*	Conferment (17 November 2023)
Sandy Wong Hang-yee	Communications Authority (Hong Kong) • Co-opted Member of Broadcast Codes of Practice Committee	Appointment (1 April 2023)
	Chinese Medicine Practitioners Board (Hong Kong) • Member	Cessation (12 September 2023)
	Hong Kong Council on Smoking and Health • Member	Cessation (1 October 2023)
Adrian Wong Koon-man	Standing Commission on Civil Service Salaries and Conditions of Service (Hong Kong) • Member	Appointment (1 January 2023)
	Independent Commission Against Corruption (Hong Kong) • Chairman of the Corruption Prevention Advisory Committee • Member of the Advisory Committee on Corruption	Cessation (1 January 2024) Cessation (1 January 2024)
	Public Service Commission (Hong Kong) • Member	Appointment (1 February 2024)
Professor Anna Wong Wai-kwan	Innovation and Technology Venture Fund Advisory Committee (Hong Kong) • Member	Appointment (16 June 2023)
	Bank of China International Limited • Independent Non-executive Director • Chairlady of the Risk Committee • Member of the Audit Committee	Cessation (6 July 2023) Cessation (6 July 2023) Cessation (6 July 2023)
Jeny Yeung Mei-chun	Hong Kong Cyberport Management Company Limited • Member of the Cyberport Advisory Panel	Cessation (1 January 2023)
	Octopus Holdings Limited and two members of the Octopus Holdings Limited group • Non-executive Chairman	Appointment (1 January 2023)
	The Hong Kong Housing Authority • Non-official Member of the Finance Committee	Appointment (1 April 2023)
	Council for Carbon Neutrality and Sustainable Development (Hong Kong) • Member	Appointment (1 May 2023)

(i) Changes in Biographical Details *(continued)*

Name	Change(s)	Nature and Effective Date of Change(s)
Margaret Cheng Wai-ching	Labour Department (Hong Kong) • Member of the Labour Advisory Board Committee on Employment Services	Cessation (1 January 2023)
	Hospital Authority Academy (Hong Kong) • Member of the Steering Committee	Appointment (7 July 2023)
	Hong Kong Council for Accreditation of Academic and Vocational Qualifications • Chair of the Business Development Committee	Cessation (1 October 2023)
Linda Choy Siu-min	Advisory Committee on Mental Health (Hong Kong) • Member	Appointment (1 December 2023)
	Hong Chi Association (Hong Kong) • Vice Council Chair	Appointment (December 2023)
Carl Michael Devlin	The Hong Kong Institution of Engineers • Fellow Member	Award (6 September 2023)
Herbert Hui Leung-wah (Retired after 31 December 2023)	The Standing Committee on Disciplined Services Salaries and Conditions of Service (Hong Kong) • Chairman of the ICAC Sub-Committee	Appointment (1 January 2023)
	Chinese Medicine Development Fund supervised by the Health Bureau (Hong Kong) • Non-official Member of the Advisory Committee	Appointment (1 March 2023)
	Accounting and Financial Reporting Council (Hong Kong) • Honorary Adviser	Appointment (1 September 2023)
	OCBC Bank (Hong Kong) Limited • Independent Non-executive Director • Chairman of the Audit Committee • Member of the Risk Management Committee	Appointment (21 September 2023) Appointment (21 September 2023) Appointment (21 September 2023)
Dr Tony Lee Kar-yun	Common Spatial Data Advisory Committee (Hong Kong) • Non-official Member	Appointment (1 October 2023)
	Hong Kong Quality Assurance Agency • Member of the Governing Council	Appointment (21 November 2023)
	Hong Kong Institute of Vocational Education • Member of the Engineering Discipline Advisory Board	Cessation (30 November 2023)
	Land Transport Authority (Singapore) • Member of the Rail Excellence Advisory Panel	Appointment (5 December 2023)
Gillian Elizabeth Meller	The Standing Committee on Company Law Reform (Hong Kong) • Member	Cessation (1 February 2023)
	Hong Kong, China Rugby (formerly Hong Kong Rugby Union) • Independent Director	Change of name (21 June 2023) Appointment (2 May 2023)
Sammy Wong Kwan-wai	International Association of Public Transport (UITP) • Member of the Metro Operations Subcommittee • Member of the Asia-Pacific Urban Rail Platform Committee	Cessation (14 February 2023) Appointment (14 February 2023)

(ii) Changes in Directors' Remuneration

For details of the Directors' remuneration received during the year, please refer to pages 229 to 232 of the Annual Report.

KEY CORPORATE MANAGEMENT

Jacob Kam Chak-pui
Chief Executive Officer

Capital Works

Carl Devlin
Capital Works Director

Eva Kong Nai-kui
Capital Works Chief of Staff

Victor Abbott
General Manager – Capital Works Technical

Scott Mackenzie
General Manager – Commercial Management

Tim Leung Chi-tim
General Manager – E&M Construction

Rohan Perinpanayagam
General Manager – Lantau (Projects) (w.e.f. 5 February 2024)

Peter Leung Man-fat
General Manager – Operations Projects

Lyndon Adolphus
General Manager – Projects Management Office

Charles Lau Kam-keung
Deputy General Manager – NOL (Spur Line)

Andrew Mead
Head of Architecture

Thomas Lau Ming-yu
Head of Civil Engineering (Capital Works)

Wong Sha
Head of E&M Engineering (Capital Works) (up to 30 April 2024)

Kelvin Wong Ka-wo
Head of E&M Engineering (Capital Works) – Designate (w.e.f. 19 February 2024)
Head of E&M Engineering (Capital Works) (w.e.f. 1 May 2024)

Bernard Chui Wan-tak
Head of Programming

Raymond Au Koon-shan
Principal Projects Commercial Manager (up to 29 February 2024)

Michael Mellor
Principal Projects Commercial Manager – Lantau

Stephen Jones
Principal Projects Commercial Manager – New Territories

Dominic Law Tik-ko
Project Manager – NOL (Tunnel)

Kevin Man Kwoon-yin
Project Manager – Operations Projects – Civil

Bruce Chang Chi-tat
Project Manager – Operations Projects – E&M

Adrian Stearn
Project Manager – OYB & ARO

Chan Chun-sing
Project Manager – Rolling Stock & Signalling (up to 31 December 2023)

Neil Ng Wai-hang
Project Manager – SCL Civil

Clifford Chow Lung-hung
Project Manager – Signalling (w.e.f. 1 January 2024)

Walter Lam Wai-tak
Project Manager – TME & HSK

Lesly Leung Po-po
Project Manager – TUE

Neil Smith
Senior Project Manager – Lantau (Projects) (w.e.f 5 February 2024)

Corporate Affairs & Branding

Linda Choy Siu-min
Corporate Affairs & Branding Director

Karen Woo Kit-sum
General Manager – Branding & Communications

Kendrew Wong Ka-Chun
General Manager – Corporate Communications

Lam Chan Lam-sang
General Manager – Corporate Relations

Corporate Strategy

Michael Chan Ting-bond
General Manager – Corporate Strategy

Digitalisation and Innovation

Leo Ng Lup-nung
Chief Digital Officer

Wan Wai-yin
Chief Information Officer

Finance

Herbert Hui Leung-wah
Finance Director (up to 31 December 2023)

Michael Fitzgerald
Finance Director (w.e.f. 1 January 2024)

Sammy Jim Kwok-wah
General Manager – Corporate Finance

Denny Chen Chi-sing
General Manager – Financial Control (w.e.f. 19 February 2024)

Lena Kwok Lai-kay
General Manager – Investment Control & Financial Management

William Lee
ERP Project Management Office Lead

Candy Ng Chui-lok
Head of Investor Relations & Retirement Benefits

David Pang Hoi-hing
Treasurer

Hong Kong Property & International Business

David Tang Chi-fai
Property & International Business Director

David Yam Pak-nin
General Manager – Business Development

Paul Chow Yuen-ming
General Manager – Property & International Business Planning & Governance

Australia

Raymond Yuen Lap-hang
Deputy Director – Australian Business

Raymond O'Flaherty
Chief Executive Officer – Metro Trains Melbourne

Daniel Williams
Chief Executive Officer – Metro Trains Sydney

Lau Pak-wai
Deputy Project Director – Sydney Metro City and Southwest Project

Tommy Lam Choi-fung
Head of Projects Engineering – Australian Business

Hong Kong Property

Debbie Chan Yuen-ping
General Manager – Investment Property (Team 1)

Kenneth Lung Tze-ho
General Manager – Investment Property (Team 2)

Melissa Pang Mee-yuk
General Manager – Property Development

Kenny Chow Chun-ling
General Manager – Property Management

Wilfred Yeung Sze-wai
General Manager – Property Project

Sharon Liu Chung-gay
General Manager – Town Planning

Eric Yeung Ka-hong
Deputy General Manager – Property Development (w.e.f. 1 February 2024)

Lawrence Yam Tze-yi
Deputy General Manager – Property Project

Sweden

Caroline Astrand
Chief Executive Officer – MTR Nordic

Filip Johansson
Chief Executive Officer – MTR Express

Erika Ahlqvist
Chief Executive Officer – MTR Facility Management

Joakim Sundh
Chief Executive Officer – MTR Pendeltågen

Anders Gustafsson
Chief Executive Officer – MTR Tech

Oliver Bratton
Chief Executive Officer – MTR Tunnelbanan (w.e.f. 8 January 2024)

United Kingdom

Steve Murphy
Chief Executive Officer – MTR UK (up to 31 March 2024)

Mike Bagshaw
Managing Director – MTR Elizabeth Line

Hong Kong Transport Services

Jeny Yeung Mei-chun
Managing Director – Hong Kong Transport Services

Tony Lee Kar-yun
Operations & Innovation Director

Paul Wong Kah-ming
Chief of Airport Segment (up to 12 May 2024)
Chief of Cross Boundary Segment (w.e.f. 13 May 2024)

Cheung Chi-keung
Chief of Cross Boundary Segment (up to 12 May 2024)

Cheris Lee Yuen-ling
Chief of Operating & Metro Segment

Lee Kim-hung
Chief of Operations Engineering Maintenance

Chan Hing-keung
Chief of Operations Engineering Service & Innovation

Margaret Chu Fung-kuen
General Manager – Commercial (up to 30 April 2024)
General Manager – Special Project (w.e.f. 1 May 2024, up to 31 July 2024)

Andy Lau Wai-ming
General Manager – Commercial (Designate) (w.e.f. 1 March 2024)
General Manager – Commercial (w.e.f. 1 May 2024)

Aiken Tam
General Manager – Engineering Maintenance (Gateway Segment)

Frankie Ng Sze-ho
General Manager – Engineering Maintenance (Operating & Metro Segment)

Winson Tse Fuk-sum
General Manager – Infrastructure Maintenance

Annie Leung Ching-man
General Manager – Marketing & Customer Experience

Diane Chiu Man
General Manager – Marketing & Revenue Management

Nelson Tsang Yuk-bong
General Manager – Operations Performance & Services Management

Zoe Tse Yu-yuk
General Manager – Operations Safety & Quality

Allen Ding Ka-chun
General Manager – Projects Planning & Development (Operations)

Rick Wong Hoi-wah
General Manager – PWay Asset Replacement & Operations Interfacing Works

Ivan Cheung Tai-lun
General Manager – Rolling Stock Maintenance

Weller Chan Kwok-wai
General Manager – Works Management

Gordon Lam Bik-shun
Chief Signal Engineer (Operations)

Joseph Sin Chi-man
Chief Signalling Design Manager

Chan Ho-wing
Deputy General Manager – Operations Innovation Hub

Mark Chan Tat-tai
Deputy General Manager – Projects Planning & Development (Operations)

Vincent Lam Wang-chi
Deputy General Manager – Projects Planning & Development (Operations)

Simon Tang Siu-cheung
Deputy General Manager – Technical & Asset Engineering

Bess Ng Suet-fa
Head of Line Group Management – EAL & IC

Thomas Hui Chun-sing
Head of Line Group Management – HSR

David Chan Chi-hung
Head of Line Group Management – TML, LR & Bus

Ben Lui Gon-yee
Head of Line Group Management – Urban Lines (up to 12 May 2024)
Chief of Airport Segment (w.e.f. 13 May 2024)

Rico Wong Kong-kit
Head of Traffic Operations

Shirley Tse Lai
Project Manager – EAMS

Human Resources & Administration

Margaret Cheng Wai-ching
Human Resources Director

Albert Man Tat-shing
General Manager – Corporate Security

Doreen Siu Wai-man
General Manager – Human Resources

Denise Ng Kee Wing-man
General Manager – Learning & Human Resources Transformation

Sylvia Choi Yuk-ling
General Manager – Performance & Reward (up to 10 January 2024)

Vinnie Chi Man-yan
General Manager – Talent Management & Organisation Development

Emily Chan Fung-ha
Deputy General Manager – Human Resources (Hong Kong Transport Services, Mainland China & Macau Businesses)

Internal Audit

Linda Chan
Head of Internal Audit

Legal & Governance

Gillian Meller
Legal & Governance Director

Brian Downie
Deputy Director – Legal, Procurement & Supply Chain

Michael Parker
General Manager – Assurance Management

Roger Lee Chak-man
General Manager – Corporate Safety

Olivia Wong Ka-ying
General Manager – Environmental & Social Responsibility

Cecilia Cheng Yuet-fong
General Manager – Governance & Company Secretarial

Alexandre Gautier
General Manager – Procurement & Supply Chain (w.e.f. 2 February 2024)

Stephen Hamill
Chief Engineer

Patrick Chaplin
Head of Commercial Assurance

Katherine Kendall
Head of Corporate Quality & Compliance

Lawrence Choy Yiu-fai
Head of Legal (Property) (w.e.f. 14 February 2024)

Robert Littlefair
Head of Programme and Portfolio Management

Angus Lee Chun-ming
Head of Technical Assurance

Mainland China & Macau Businesses

Sammy Wong Kwan-wai
Mainland China Business Director

Macau

Jeff Chan Yue-chiu
General Manager – Macau Light Rapid Transit

Herbert Leung Tai-chiu
General Manager – Macau (Projects)

Mainland China

Kyle Lau Ki-ming
Chief of Engineering (Beijing)

Jia Jun
General Manager – Business Development (Mainland China) & Chengdu

Nelson Ng Wai-hung
General Manager – Hangzhou

Frank Liu Zhui-ming
General Manager – Jing-Jin-Ji

Oscar Ho Ka-wa
General Manager – Mainland China Property

Terry Wong Wing-kin
General Manager – Shenzhen

Justin Man Wing-fai
General Manager – Shenzhen L13

Tse Che-ming
Deputy General Manager – Engineering (Hangzhou)

Kevin Kiang Yee-wing
Deputy General Manager – Operations (Beijing)

George Mui Wai-ming
Deputy General Manager – Operations (Hangzhou)

Nicholas Zhang Xiaolong
Deputy General Manager – Projects (Beijing)

MTR Academy (HK) Company Limited

Margaret Cheng Wai-ching
President of MTR Academy

MTR Lab Company Limited

Michael Chan Ting-bond
Managing Director of MTR Lab

Ngong Ping 360 Limited

Andy Lau Wai-ming
Managing Director of Ngong Ping 360 (up to 29 February 2024)

REPORT OF THE MEMBERS OF THE BOARD

The Members of the Board have pleasure in submitting their Report and the audited Consolidated Financial Statements for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES OF THE GROUP

The Group is principally engaged in the following core businesses: railway design, construction, operation, maintenance and investment in Hong Kong, Macau, Mainland China and a number of overseas cities; project management in relation to railway and property development businesses in Hong Kong and Mainland China; station commercial business including leasing of station retail space, leasing of advertising space inside trains and stations, and enabling of telecommunication services on the railway system in Hong Kong; property business including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and Mainland China; investment in Octopus Holdings Limited; provision of railway management, engineering and technology training; and investment in relevant new technologies.

The principal businesses of the Company's principal subsidiaries, associates and joint venture as at 31 December 2023 are set out in notes 26 and 27 to the Consolidated Financial Statements.

BUSINESS REVIEW

The Company has always been committed to providing comprehensive reviews of the Group's businesses and performance in its Annual Reports. A summary of the relevant sections in the Company's Annual Report 2023 covering the required disclosures under the Companies Ordinance is set out below for ease of reference.

Required Disclosures	Relevant Sections
(1) A fair review of the Group's businesses and a discussion and an analysis of the Group's performance during the financial year 2023	• Chairman's Letter (pages 12 to 15) • CEO's Review and Outlook (pages 16 to 19) • The Year in Review (pages 20 to 31) • Business Review (pages 32 to 70) • Financial Review (pages 82 to 93)
(2) Particulars of important events affecting the Group that have occurred since the end of the financial year 2023	• Chairman's Letter (pages 12 to 15) • CEO's Review and Outlook (pages 16 to 19) • The Year in Review (pages 20 to 31) • Business Review (pages 32 to 70)
(3) Description of the significant risks and uncertainties facing the Group	• CEO's Review and Outlook (pages 16 to 19) • The Year in Review (pages 20 to 31) • Business Review (pages 32 to 70) • Risk Management (pages 133 to 137) • Financial Risks – note 30B to the Consolidated Financial Statements (pages 256 to 258)
(4) Outlook for the Group's businesses	• Chairman's Letter (pages 12 to 15) • CEO's Review and Outlook (pages 16 to 19) • The Year in Review (pages 20 to 31) • Business Review (pages 32 to 70)
(5) Details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group	• Corporate Governance Report (pages 98 to 129)
(6) Description of the Group's relationships with its key stakeholders	• Chairman's Letter (pages 12 to 15) • CEO's Review and Outlook (pages 16 to 19) • The Year in Review (pages 20 to 31) • Business Review (pages 32 to 70) • Environmental & Social Responsibility (pages 71 to 78) • Human Resources (pages 79 to 81) • Investor Relations (pages 96 to 97) • Sustainability Report 2023 (www.mtr.com.hk)
(7) Description of the Group's environmental policies and performance	• Chairman's Letter (pages 12 to 15) • CEO's Review and Outlook (pages 16 to 19) • The Year in Review (pages 20 to 31) • Environmental & Social Responsibility (pages 71 to 78) • Sustainability Report 2023 (www.mtr.com.hk)

DIVIDENDS

The Board has recommended paying a final dividend of HK$0.89 per share in respect of the year ended 31 December 2023 (2022: HK$0.89 per share) and proposes that a scrip dividend option will be offered to all shareholders of the Company (except for those with registered addresses in New Zealand or the United States of America or any of its territories or possessions). Subject to the approval of the shareholders at the Company's forthcoming annual general meeting ("AGM"), the proposed 2023 final dividend, with a scrip dividend option, is expected to be distributed on 16 July 2024 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 31 May 2024.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial position of the Group as at 31 December 2023 and the Group's consolidated financial performance and consolidated cash flows for the year are set out in the Consolidated Financial Statements on pages 203 to 290.

TEN-YEAR STATISTICS

A summary of the results and of the assets and liabilities of the Group together with some major operational statistics for the last ten years is set out on pages 94 to 95.

DIRECTORS

Members of the Board (including their Alternate Director(s)) and the Executive Directorate as at the date of this Report are stated below:

Members of the Board

- Dr Rex Auyeung Pak-kuen (Chairman)
- Dr Jacob Kam Chak-pui (CEO)
- Andrew Clifford Winawer Brandler
- Dr Bunny Chan Chung-bun
- Walter Chan Kar-lok
- Dr Dorothy Chan Yuen Tak-fai
- Cheng Yan-kee
- Hui Siu-wai
- Sunny Lee Wai-kwong
- Rose Lee Wai-mun
- Jimmy Ng Wing-ka
- Dr Carlson Tong
- Sandy Wong Hang-yee
- Adrian Wong Koon-man
- Professor Anna Wong Wai-kwan
- Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury)

  Alternate Directors:
  - Joseph Chan Ho-lim
  - Cathy Chu Man-ling
  - Maurice Loo Kam-wah
- Secretary for Transport and Logistics (Lam Sai-hung)

  Alternate Directors:
  - Under Secretary for Transport and Logistics (Liu Chun-san)
  - Permanent Secretary for Transport and Logistics (Mable Chan)
  - Deputy Secretary for Transport and Logistics 1 (Amy Wong Pui-man [N1])
  - Deputy Secretary for Transport and Logistics 2 (Ida Lee Bik-sai [N2])
- Permanent Secretary for Development (Works) (Ricky Lau Chun-kit)

  Alternate Director:
  - Deputy Secretary for Development (Works) 3 (Tony Ho Ying-kit [N3])
- Commissioner for Transport (Angela Lee Chung-yan [N4])

  Alternate Director:
  - Deputy Commissioner for Transport/Transport Services and Management (Macella Lee Sui-chun)

N1: Change of holder of the post from Sharon Yip Lee Hang-yee to Amy Wong Pui-man with effect from 30 January 2023.

N2: Change of holder of the post from Amy Wong Pui-man to Ida Lee Bik-sai with effect from 30 January 2023.

N3: Change of holder of the post from Francis Chau Siu-hei (ceased on 3 June 2023) to Tony Ho Ying-kit (appointed on 5 June 2023).

N4: Change of holder of the post from Rosanna Law Shuk-pui (ceased on 15 August 2023) to Angela Lee Chung-yan (appointed on 28 August 2023).

Members of the Executive Directorate

- Dr Jacob Kam Chak-pui (CEO)
- Jeny Yeung Mei-chun (Managing Director – Hong Kong Transport Services)
- Margaret Cheng Wai-ching (Human Resources Director)
- Linda Choy Siu-min (Corporate Affairs and Branding Director)
- Carl Michael Devlin (Capital Works Director)
- Michael George Fitzgerald (Finance Director)
- Dr Tony Lee Kar-yun (Operations and Innovation Director)
- Gillian Elizabeth Meller (Legal and Governance Director)
- David Tang Chi-fai (Property and International Business Director)
- Sammy Wong Kwan-wai (Mainland China Business Director)

The biographies of each Member of the Board and the Executive Directorate as at the date of this Report are set out on pages 145 to 158.

In addition, a resolution for electing Ms Ayesha Abbas MACPHERSON (also known as Mrs Ayesha Macpherson LAU) as a new Director will be proposed at the 2024 AGM. Please refer to the Company's circular containing the Notice of the 2024 AGM sent together with this Report.

Members of the Board, Alternate Directors and Member of the Executive Directorate during the course of 2023 but have since ceased their positions with the Company are stated below:

- Sharon Yip Lee Hang-yee (ceased on 30 January 2023)^
- Amy Wong Pui-man (ceased on 30 January 2023)^
- Dr Pamela Chan Wong Shui (retired on 24 May 2023)
- Johannes Zhou Yuan (retired on 24 May 2023)
- Francis Chau Siu-hei (ceased on 3 June 2023)^
- Rosanna Law Shuk-pui (ceased on 15 August 2023)^
- Herbert Hui Leung-wah (retired on 1 January 2024)

^ *Please refer to Notes N1 to N4 above for details relating to the change of post holder of the relevant Member of the Board and Alternate Directors.*

DIRECTORS OF SUBSIDIARY UNDERTAKINGS

The directors of the subsidiary undertakings of the Company during the year and up to the date of this Report (unless otherwise stated) are listed on page 196.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for election or re-election at the forthcoming AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for, in respect of Mr Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury), Secretary for Transport and Logistics (Mr Lam Sai-hung), Permanent Secretary for Development (Works) (Mr Ricky Lau Chun-kit), and Commissioner for Transport (Miss Rosanna Law Shuk-pui (up to 14 August 2023) and Ms Angela Lee Chung-yan (since 28 August 2023)) and their respective Alternate Director(s), all of whom are or were officials of Government, those connected transactions and continuing connected transactions between the Company and Government (and/or its associates) which are described on pages 172 to 194, there was no transaction, arrangement or contract of significance in relation to the Group's business, to which the Company or any of its subsidiary undertakings was a party and in which a Member of the Board, an Alternate Director or a Member of the Executive Directorate or an entity connected with him/her had a material interest (whether direct or indirect), which was entered into during the year or subsisted at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, the interests or short positions of the Members of the Board, Alternate Director(s) and Members of the Executive Directorate in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code set out in Appendix C3 of the Listing Rules (the "Model Code"), were as follows:

Members of the Board/ Alternate Director/ Members of the Executive Directorate	No. of Ordinary Shares held		No. of award shares#		Percentage of aggregate interests to total no. of voting shares in issue∆
	Personal interests*	Family interests†	Personal interests*	Total interests	
Dr Jacob Kam Chak-pui	740,104	–	493,218	1,233,322	0.01984
Cheng Yan-kee	–	2,000 (Note 1)	–	2,000	0.00003
Rose Lee Wai-mun	3,350	–	–	3,350	0.00005
Adrian Wong Koon-man	–	558 (Note 1)	–	558	0.00001
Maurice Loo Kam-wah	588	–	–	588	0.00001
Jeny Yeung Mei-chun	792,829	–	109,351	902,180	0.01451
Margaret Cheng Wai-ching	242,331	–	103,302	345,633	0.00556
Linda Choy Siu-min	19,733	–	91,367	111,100	0.00179
Carl Michael Devlin	2,566	–	28,134	30,700	0.00049
Herbert Hui Leung-wah (Note 2)	208,440	2,233 (Note 1)	47,850	258,523	0.00416
Dr Tony Lee Kar-yun	153,584	–	89,918	243,502	0.00392
Gillian Elizabeth Meller	224,474	–	95,217	319,691	0.00514
David Tang Chi-fai	325,061	–	109,351	434,412	0.00699
Sammy Wong Kwan-wai	37,466	–	34,317	71,783	0.00115

Notes

1. *As at 31 December 2023, these shares were held by the spouse of the relevant Member of the Board or Member of the Executive Directorate of the Company.*
2. *Mr Herbert Hui Leung-wah retired as Finance Director and ceased to be a Member of the Executive Directorate of the Company, both with effect from 1 January 2024.*

\# *Details of the award shares are set out in the section headed "Executive Share Incentive Scheme" on pages 167 to 169*

* *Interests as beneficial owner*

† *Interests of spouse or child under 18 as beneficial owner*

∆ *The Company's total number of voting shares in issue as at 31 December 2023 was 6,217,197,282*

Save as disclosed above and in the section headed "Executive Share Incentive Scheme":

A as at 31 December 2023, no Member of the Board or Alternate Director or Member of the Executive Directorate of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and

B during the year ended 31 December 2023, no Member of the Board or Alternate Director or Member of the Executive Directorate of the Company nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them,

as recorded in the register kept by the Company under section 352 of the SFO or otherwise notified to the Company and the HKSE pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Set out below is the name of the party which was interested in 5% or more of all the Company's voting shares in issue and the number of shares in which it was interested as at 31 December 2023 as recorded in the register kept by the Company under section 336 of the SFO:

Name	No. of Ordinary Shares held	Percentage of Ordinary Shares to total no. of voting shares in issue^Δ
The Financial Secretary Incorporated ("FSI") (in trust on behalf of Government)	4,634,173,932	74.54%

Δ *The Company's total number of voting shares in issue as at 31 December 2023 was 6,217,197,282*

The Company has been informed by the Hong Kong Monetary Authority that, as at 31 December 2023, approximately 0.19% of the Ordinary Shares in issue (not included in the FSI shareholding set out in the above table) were held for the account of the Exchange Fund. The Exchange Fund is a fund established under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) under the control of the Financial Secretary.

OTHER PERSONS' INTERESTS

Pursuant to section 337 of the SFO, the Company has maintained a register recording the shareholding information provided by persons in response to the Company's requests pursuant to section 329 of the SFO.

Save as disclosed above and in the sections headed "Directors' Interests in Shares and Underlying Shares of the Company" and "Substantial Shareholders' Interests", as at 31 December 2023, the Company has not been notified of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Company during the year ended 31 December 2023 or subsisted at the end of the year.

EXECUTIVE SHARE INCENTIVE SCHEME

The Company adopted the Executive Share Incentive Scheme with effect from 1 January 2015 ("Effective Date") and it will remain in force until 31 December 2024. The purposes of the Executive Share Incentive Scheme are to retain management and key employees, to align participants' interests with the long-term success of the Company and to drive the achievement of the strategic objectives of the Company. Under the terms of the Executive Share Incentive Scheme, the participants can be any employees and any directors of the Company or any of its subsidiaries (excluding non-executive members of the Board but including Members of the Executive Directorate).

The maximum number of award shares that may at any time be the subject of an outstanding award granted under the Executive Share Incentive Scheme shall not exceed 2.5% (i.e. 145,663,358 Ordinary Shares) of the number of issued Ordinary Shares as at the Effective Date (i.e. 5,826,534,347 Ordinary Shares) and the maximum number of award shares that may be granted to a single eligible employee in the 12-month period up to the relevant award date shall be 0.03% of the number of issued Ordinary Shares on the relevant award date.

The number of award shares that are the subject of outstanding awards granted under the Executive Share Incentive Scheme is 26,815,978 Ordinary Shares up to the date of this Report. Therefore, the total number of award shares available under the Executive Share Incentive Scheme that may be granted is 118,847,380 Ordinary Shares, representing approximately 1.91% of the Company's total number of issued shares as at the date of this Report.

EXECUTIVE SHARE INCENTIVE SCHEME *(continued)*

Pursuant to the terms of the Executive Share Incentive Scheme, each grantee undertakes to pay HK$1.00, on demand, to the Company, in consideration for the grant of the award shares. Save for the above, the grantee is not required to pay any price for the shares purchased by the Trustee from the open market pursuant to the terms of the Executive Share Incentive Scheme. Any offers of award shares made under the Executive Share Incentive Scheme will specify the date by which the offer of the award shares must be accepted (being a date no more than 30 days (inclusive) from the date on which the offer is made).

Movements in award shares under the Executive Share Incentive Scheme during the year ended 31 December 2023 are set out below:

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1)		Award shares outstanding as at 1 January 2023	Award shares vested during the year	Award shares lapsed and/or forfeited during the year	Award shares outstanding as at 31 December 2023	Weighted average closing price of shares immediately before the date(s) on which the award shares were vested (HK$)
		Restricted shares (Note 2)	Performance shares (Note 3)					
Dr Jacob Kam Chak-pui	08/04/2020	89,300	–	29,768	29,768	–	–	37.85
	08/04/2021	52,750	199,800	234,967	17,583	–	217,384	37.85
	01/04/2022	132,000	–	132,000	–	–	132,000	–
	08/04/2022	133,700	–	133,700	44,566	–	89,134	37.85
	11/04/2023 (Note 6)	54,700	–	–	–	–	54,700	–
Jeny Yeung Mei-chun	08/04/2020	32,650	–	10,884	10,884	–	–	37.85
	08/04/2021	17,200	47,850	59,317	5,733	–	53,584	37.85
	08/04/2022	46,000	–	46,000	15,333	–	30,667	37.85
	11/04/2023 (Note 6)	25,100	–	–	–	–	25,100	–
Margaret Cheng Wai-ching	08/04/2020	32,450	–	10,818	10,818	–	–	37.85
	08/04/2021	17,450	47,850	59,484	5,816	–	53,668	37.85
	08/04/2022	39,500	–	39,500	13,166	–	26,334	37.85
	11/04/2023 (Note 6)	23,300	–	–	–	–	23,300	–
Linda Choy Siu-min	08/04/2021	13,500	47,850	56,850	4,500	–	52,350	37.85
	08/04/2022	32,200	–	32,200	10,733	–	21,467	37.85
	11/04/2023 (Note 6)	17,550	–	–	–	–	17,550	–
Carl Michael Devlin	08/04/2022	7,700	7,300	15,000	2,566	–	12,434	37.85
	11/04/2023 (Note 6)	15,700	–	–	–	–	15,700	–
Herbert Hui Leung-wah (Note 4)	08/04/2020	29,050	–	9,684	9,684	–	–	37.85
	08/04/2021	15,600	47,850	58,250	10,400	–	47,850	34.08
	08/04/2022	37,850	–	37,850	37,850	–	–	32.82
	11/04/2023 (Note 6)	17,100	–	–	17,100	–	–	30.30
Dr Tony Lee Kar-yun	08/04/2020	15,500	–	5,168	5,168	–	–	37.85
	08/04/2021	13,550	47,850	56,884	4,516	–	52,368	37.85
	08/04/2022	34,050	–	34,050	11,350	–	22,700	37.85
	11/04/2023 (Note 6)	14,850	–	–	–	–	14,850	–

EXECUTIVE SHARE INCENTIVE SCHEME *(continued)*

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1)		Award shares outstanding as at 1 January 2023	Award shares vested during the year	Award shares lapsed and/or forfeited during the year	Award shares outstanding as at 31 December 2023	Weighted average closing price of shares immediately before the date(s) on which the award shares were vested (HK$)
		Restricted shares (Note 2)	Performance shares (Note 3)					
Gillian Elizabeth Meller	08/04/2020	27,000	–	9,000	9,000	–	–	37.85
	08/04/2021	14,250	47,850	57,350	4,750	–	52,600	37.85
	08/04/2022	34,600	–	34,600	11,533	–	23,067	37.85
	11/04/2023 (Note 6)	19,550	–	–	–	–	19,550	–
David Tang Chi-fai	08/04/2020	31,350	–	10,450	10,450	–	–	37.85
	08/04/2021	17,200	47,850	59,317	5,733	–	53,584	37.85
	08/04/2022	46,000	–	46,000	15,333	–	30,667	37.85
	11/04/2023 (Note 6)	25,100	–	–	–	–	25,100	–
Sammy Wong Kwan-wai	08/04/2020	7,650	–	2,550	2,550	–	–	37.85
	08/04/2021	7,350	10,100	15,000	2,450	–	12,550	37.85
	08/04/2022	8,050	–	8,050	2,683	–	5,367	37.85
	11/04/2023 (Note 6)	16,400	–	–	–	–	16,400	–
Five highest paid individuals (Note 9)	08/04/2020	214,800	–	71,604	71,604	–	–	37.85
	08/04/2021	120,200	391,200	471,335	45,265	–	426,070	36.98
	01/04/2022	132,000	–	132,000	–	–	132,000	–
	08/04/2022	303,050	–	303,050	126,248	–	176,802	36.34
	11/04/2023 (Note 6)	145,300	–	–	17,100	–	128,200	30.30
Other eligible employees (Note 5)	08/04/2020	2,069,800	6,950	493,410	492,510	900	–	37.87
	08/04/2021	1,787,100	1,013,200	1,897,357	506,671	62,778	1,327,908	37.78
	08/04/2022	2,087,600	233,400	2,129,350	677,127	94,192	1,358,031	37.89
	11/04/2023 (Note 6)	2,332,200	42,850	–	32,200	65,250	2,277,600	33.38
	25/09/2023 (Note 6)	60,900	–	–	–	–	60,900	–

Notes

1. *The award shares granted under the Executive Share Incentive Scheme are issued Ordinary Shares.*
2. *Restricted shares are awarded to selective eligible employees and vest over three years in equal tranches (unless otherwise determined by the Remuneration Committee of the Company).*
3. *Performance shares are awarded to eligible employees and generally vest at the end of a three-year performance cycle, subject to review and approval by the Remuneration Committee of the Company from time to time.*
4. *Mr Herbert Hui Leung-wah retired as Finance Director and ceased to be a Member of the Executive Directorate of the Company, both with effect from 1 January 2024.*
5. *Other eligible employees also include former employees of the Company.*
6. *The closing price of the Ordinary Shares immediately before the date on which the award shares were granted on 11 April 2023 and 25 September 2023 were HK$38.60 and HK$30.60 respectively.*
7. *Mr Michael George Fitzgerald was appointed as Finance Director and became a Member of the Executive Directorate of the Company, both with effect from 1 January 2024. As disclosed in the announcement of the Company dated 27 July 2023, Mr Fitzgerald is interested in 10,500 Ordinary Shares and is deemed to be interested in 1,500 Ordinary Shares respectively. He has also received a one-off special restricted share award of 60,900 Ordinary Shares (i.e. equivalent in value to approximately HK$2,000,000) which were granted to him under the Company's Executive Share Incentive Scheme on 25 September 2023.*
8. *No award shares were cancelled during the year.*
9. *With respect to the five highest paid individuals for the financial year, all five of them (2022: five) were Members of the Executive Directorate of the Company and details of the movements in their awarded shares under the Executive Share Incentive Scheme during the year ended 31 December 2023 are also shown in the table above.*
10. *Further details on the operation of the Executive Share Incentive Scheme including, but not limited to, the performance targets, the fair value of the share awards at the date of grant and the accounting standard and policy adopted are set out in the section headed "Long-Term Incentives" under the Remuneration Committee Report (pages 142 to 143) and notes 2U(iii), 11B and 44 to the Consolidated Financial Statements in this Report.*

SHARES ISSUED

	No. of Ordinary Shares issued	Value (HK$)
As at 1 January 2023	6,202,060,784	N/A
Scrip shares issued in respect of 2022 final dividend	12,108,603	438 million
Scrip shares issued in respect of 2023 interim dividend	3,027,895	97 million
As at 31 December 2023	6,217,197,282	N/A

Details of the movements in share capital of the Company during the year are set out in note 41 to the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company redeemed its RMB210 million and RMB200 million bonds at par on 3 July 2023 and 17 November 2023 respectively. The bonds were listed on the HKSE prior to redemption. Save as disclosed above, the Group did not purchase, sell or redeem any of the Group's listed securities during the year ended 31 December 2023. However, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the HKSE a total of 2,370,900 Ordinary Shares (2022: 2,560,000 Ordinary Shares) for a total consideration of approximately HK$93 million during the year ended 31 December 2023 (2022: HK$109 million).

PUBLIC FLOAT

The HKSE granted to the Company, at the time of its listing on the Main Board of the HKSE in 2000, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules ("Public Float Waiver"). Pursuant to the Public Float Waiver, the Company's prescribed minimum percentage of shares which must be in the hands of the public must not be less than 10% of the total number of issued shares of the Company. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this Report as required by the Public Float Waiver.

MAJOR SUPPLIERS AND CUSTOMERS

Information in respect of the Group's major suppliers and major customers for the year ended 31 December 2023 is as follows:

	As a percentage of the Group's total purchases
Total value of purchases (not of a capital nature) attributable to the Group's five largest suppliers	19.23%

	As a percentage of the Group's total revenue
Total revenue attributable to the Group's five largest customers	39.67%
Total revenue attributable to the Group's largest customer	22.31%

KCRC, being one of the Group's five largest customers, is a statutory public corporation wholly owned by Government. As at 31 December 2023, Government, through the FSI, the substantial shareholder of the Company, held approximately 74.54% of all the Company's voting shares in issue (see the section headed "Substantial Shareholders' Interests" above for further details).

As at 31 December 2023, the Non-executive Directors of the Company (excluding Dr Rex Auyeung Pak-kuen and all the Independent Non-executive Directors) and their Alternate Directors, whose names are listed on page 164, were officials of Government.

Save as disclosed above, as at 31 December 2023, no other Member of the Board, Alternate Director or Member of the Executive Directorate or any of their respective close associates or any other shareholder (which, to the knowledge of the Members of the Board, Alternate Directors or Members of the Executive Directorate, owned more than 5% of all the Company's voting shares in issue), had any beneficial interests in the Group's five largest customers.

DONATIONS

During the year, the Group donated and sponsored approximately HK$16.4 million (2022: approximately HK$16.2 million) to charitable and other organisations.

LOANS AND OTHER OBLIGATIONS

The total loans and other obligations of the Group as at 31 December 2023 amounted to HK$59,491 million (2022: HK$47,846 million), details of which are set out in note 35 to the Consolidated Financial Statements.

BONDS AND NOTES ISSUED

The Group issued notes with total face value amounting to HK$16,144 million equivalent during the year ended 31 December 2023 (2022: HK$10,288 million equivalent), details of which are set out in note 35C to the Consolidated Financial Statements. Such notes were issued in order to meet the Group's general corporate funding requirements, including financing of capital expenditure and refinancing of debts.

PROPERTIES

Particulars of the principal investment properties and properties held for sale of the Company are shown on pages 49 to 50.

CONNECTED TRANSACTION

As disclosed in the Company's announcement dated 13 December 2023, the Company entered into a contract with the contractors, namely China Road and Bridge Corporation ("CRBC") and Build King Construction Limited (collectively, the "Contractors") for the construction of the Works (as defined below) in relation to the Tuen Mun South Extension (as defined in the said announcement) at a contract sum of HK$6,220,587,500 (the "Contract") on 13 December 2023. The Contractors have formed an unincorporated joint venture to undertake the Works. CRBC and Build King Construction Limited respectively hold 75% and 25% of the economic interests in the unincorporated joint venture. CRBC, one of the two Contractors, is a wholly owned subsidiary of China Communications Construction Company Limited ("CCCC"). The Company controls 60% of the voting power at any general meeting of Metro Trains Australia Pty Ltd ("MTA") and Metro Trains Sydney Pty Ltd ("MTS") whereas CCCC, through its subsidiaries John Holland MTA Pty Ltd and John Holland Sydney NRT Pty Ltd, respectively controls 20% of the voting power at any general meeting of MTA and MTS. CRBC is therefore a connected person of the Company at the subsidiary level within the meaning of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Build King Construction Limited is a third party independent of the Company and its connected persons.

Accordingly, the transaction contemplated under the Contract constituted a connected transaction between the Company and CRBC under Chapter 14A of the Listing Rules.

A. Scope of works

- The work scope is for the design and construction of the works to be provided by the Contractors to the Company under the Contract (the "Works") including but not limited to:
  (a) a new station at Tuen Mun Area 16, the A16 Station;
  (b) a new station at Tuen Mun south, the Tuen Mun South Station;
  (c) railway viaducts and Tuen Mun River Bridge which connect the new stations to the existing Tuen Ma Line at the existing Tuen Mun Station;
  (d) related building services and architectural builder's works and finishes; and
  (e) reprovisioning of community facilities.

B. Obligations of the Contractors

- Under the terms of the Contract, the principal obligation of the Contractors is to undertake the design and construction of the Works.
- The Contractors shall have joint and several responsibilities for the execution of the Works, whereby both parties shall be collectively and individually responsible for fulfilment of the Contractors' obligations.
- The Contractors shall be liable for claims and proceedings from third parties arising from the execution of the Works, loss or damage to the Works, loss or damage to property owned by the Company and death or bodily injury to the employees of the Contractors. The Contractors shall indemnify the Company against costs incurred by the Company in respect of such matters.
- The Contractors shall effect and maintain professional indemnity insurance with a limit of HK$100,000,000 for each and every occurrence and in aggregate. The Contractors shall provide a performance bond in respect of its obligations under the Contract.

C. Limitations of liability of the Contractors

- The total liability of the Contractors to the Company for all damages (liquidated damages and general) for delay shall not exceed 10% of the target cost plus fees as calculated under the Contract. The liability of the Contractors shall otherwise be limited in accordance with common law principles associated with remoteness of loss and reasonable foreseeability.

D. Obligations of the Company

- Under the terms of the Contract, the Company is obliged to pay to the Contractors the costs for the Works based on the certain defined costs set out in the Contract upon the submission of payment applications by the Contractors in respect thereof incurred during the payment period.
- If the final total cost of the Works exceeds or is less than the target cost for the Works (i.e. the contract sum of HK$6,220,587,500), the deficit or, as the case may be, the excess will be borne by or, as the case may be, distributed to the Company and the Contractors on a basis calculated in accordance with the Contract.
- The target cost is subject to price fluctuation adjustments and from time to time the scope of the Works may vary and the Company may be obliged to revise the target cost and associated fee payable to the Contractors in accordance with the terms of the Contract.
- The Company shall effect and maintain for the benefit of the Contractors, contractor's all risks insurance with an indemnity limit equal to the Contract value and third party liability insurance with an indemnity limit of HK$400,000,000 for each occurrence and unlimited in aggregate.

CONTINUING CONNECTED TRANSACTIONS

During the year under review, the following transactions and arrangements described below involved the provision of goods or services carried out on an ongoing or recurring basis and are expected to extend over a period of time with Government and/or KCRC and the Airport Authority (the "AA").

Government is a substantial shareholder of the Company as defined in the Listing Rules. Government is therefore a "connected person" of the Company for the purposes of the Listing Rules, and as KCRC and the AA are both associates of Government, they are also connected persons of the Company as defined in the Listing Rules. Therefore, each of Government, KCRC and the AA is a "connected person" of the Company for the purposes of the Listing Rules and, during 2023, each transaction set out at sections I, II, III and IV below constituted a continuing connected transaction for the Company under the Listing Rules.

As disclosed in the announcement of the Company dated 13 January 2005, the Stock Exchange has granted a waiver to the Company from strict compliance with the requirements of Chapter 14A of the Listing Rules which would otherwise apply to connected transactions and continuing connected transactions between the Company and Government, subject to certain conditions (the "Waiver").

Consequently, the Company makes the disclosures below in accordance with Rule 14A.71 of the Listing Rules and in accordance with the conditions of the Waiver.

Following the Guidance Letter GL 73-14 issued by the Stock Exchange and considering the Stock Exchange's recommendation, the Company's Internal Audit Department ("IAD") has reviewed the Company's continuing connected transactions set out below and the related internal control procedures. IAD found that the internal control procedures put in place by the Company were adequate and effective and reported the same to the Audit & Risk Committee of the Company to assist the Company's Independent Non-executive Directors in their annual review and confirmation required to be given under the Merger-related Waiver (as defined below), the Waiver and the Listing Rules (as appropriate).

I Merger-related Continuing Connected Transactions

Each of the transactions listed in paragraphs A to C below of this section (together, the "Merger-related Continuing Connected Transactions") and which formed part of the Rail Merger, was approved by the independent shareholders of the Company at an Extraordinary General Meeting held on 9 October 2007. These paragraphs should be read in conjunction with the paragraphs contained in the section headed "Additional Information in respect of the Rail Merger".

As disclosed in the circular issued by the Company on 3 September 2007 in connection with the Rail Merger, the Stock Exchange granted a waiver to the Company from strict compliance with the requirements under Chapter 14A of the Listing Rules which would otherwise apply to continuing connected transactions between the Company, Government and/or KCRC arising as a result of the Rail Merger, subject to certain conditions (the "Merger-related Waiver").

A Merger Framework Agreement

The Merger Framework Agreement was entered into on 9 August 2007 between the Company, KCRC and the then Secretary for Transport and Housing and the Secretary for Financial Services and the Treasury for and on behalf of Government.

The Merger Framework Agreement contains provisions for the overall structure and certain specific aspects of the Rail Merger, including in relation to:

- a seamless interchange programme;
- corporate governance of the Company Post-Rail Merger;
- payments relating to property enabling works;
- arrangements relating to the establishment of a rolling programme on the level of flat production arising from tenders for railway property development;
- arrangements in relation to the assessment of land premium amounts;
- arrangements in relation to the employees of the Company and KCRC, including provisions preventing the Company from terminating the employment of relevant frontline staff for any reason that relates to the process of integrating the operations of the Company and KCRC;
- the implementation of certain fare reductions;
- arrangements in relation to the proposed Shatin to Central Link;
- KCRC's continuing responsibility for its existing financial arrangements;
- treatment of KCRC's cross border leases;
- the payment of HK$7.79 billion in respect of the Property Package Agreements (as described in paragraph C on page 175 and in paragraph F in the section headed "Additional Information in respect of the Rail Merger" below);
- the allocation of liability for any Pre-Rail Merger and Post-Rail Merger claims by third parties; and
- the Company's retention of its English name and (pursuant to the Rail Merger Ordinance) the change of its Chinese name to "香港鐵路有限公司".

B West Rail Agency Agreement

The West Rail Agency Agreement and related agreements were entered into on 9 August 2007 between the Company, KCRC and certain KCRC subsidiary companies (the "West Rail Subsidiaries"). Pursuant to the terms of the West Rail Agency Agreement, the Company was appointed:

- to act as KCRC's agent, and donee under powers of attorney, to exercise certain rights and perform certain obligations relating to specified development sites along West Rail; and
- to act as agent for, and donee under powers of attorney from, each of the West Rail Subsidiaries to exercise certain rights and perform certain obligations relating to specified development sites along West Rail.

The Company will receive an agency fee of 0.75% of the gross sale proceeds in respect of the unawarded West Rail development sites and 10% of the net profits accrued to the West Rail Subsidiaries under the development agreements in respect of the awarded West Rail development sites. The Company will also recover from the West Rail Subsidiaries its costs (including internal costs) incurred in respect of the West Rail development sites plus 16.5% on-cost, together with interest accrued thereon.

C Property Package Agreements

Category 3 Properties

On 9 August 2007, the Company entered into three agreements (the "Category 3 Agreements") and related powers of attorney with KCRC. Each Category 3 Agreement relates to a certain property (each a "Category 3 Property"). KCRC has previously entered into a development agreement in respect of each Category 3 Property. None of the rights and obligations granted to or undertaken by the Company under the Category 3 Agreements may be exercised or performed by the Company if they relate exclusively to the concession property situate on any Category 3 Property. Matters affecting the concession property situate on any Category 3 Property are dealt with under the terms of the Service Concession Agreement (as defined and summarised on pages 191 to 192).

Pursuant to the terms of each Category 3 Agreement, the Company has been appointed to act as KCRC's agent, and donee under powers of attorney, to exercise rights and to perform obligations of KCRC which relate to the Category 3 Property (but excluding the right or obligation to dispose of the relevant Category 3 Property).

The Company is required at all times to comply with statutory restrictions and obligations binding on KCRC which relate to the Category 3 Properties, and shall pay all amounts due and payable from KCRC which have been incurred by KCRC as a result of the Company's actions.

In acting as KCRC's agent, the Company is required to act according to prudent commercial principles, and aim to maximise gross profits under the Category 3 Properties and to run a safe and efficient railway. In order to assist the Company in performing its agency functions, KCRC has granted powers of attorney to the Company. The Company may only use the powers of attorney to exercise rights and perform obligations conferred or undertaken by it under the relevant Category 3 Agreement. As well as acting as KCRC's agent, the Company has the right to give KCRC instructions in respect of any action or matter relating to each Category 3 Property (including its related development agreement) which the Company is unable to take by reason of the limitation of the scope of its agency powers. KCRC is required to comply promptly with those instructions provided that it is permitted under law, and under the relevant Government grant, to carry out those instructions.

KCRC is required to account for revenue received in respect of a Category 3 Property by way of balance sheet movement (rather under its profit and loss account), provided that such treatment is permitted under law and accounting principles and practices.

KCRC shall not take any action in respect of a Category 3 Property which is not carried out by the Company (acting as KCRC's agent), or according to the Company's instructions, or otherwise in accordance with the terms of the Category 3 Agreement.

As consideration for acting as KCRC's agent, the Company shall be paid a fee which is expected to be similar in quantum to the profits made by KCRC in respect of the relevant Category 3 Property (after deducting certain initial and upfront payments and consultant contribution costs, in each case paid or to be paid by the relevant developer to KCRC). Generally, the Company's fee shall be payable in instalments promptly following receipt of relevant funds by KCRC (but subject to specified deductions of amounts due from KCRC to the relevant Category 3 Property developer).

The Company has agreed to give certain indemnities to KCRC in respect of each Category 3 Property.

The Company shall be the first manager, or shall ensure that a manager is appointed in respect of, each Category 3 Property (once developed).

The Company's appointment as agent shall terminate when KCRC ceases to have any undivided share in the relevant Category 3 Property, other than concession property, and neither KCRC nor the developer nor the guarantors have any further rights to exercise, or obligations to perform, under the development agreement relating to the relevant Category 3 Property.

II Non Merger-related Continuing Connected Transactions

The following disclosures, in paragraphs A1 to D below of this section together with the Third XRL Agreement (as defined below) (together, the "Non Merger-related Continuing Connected Transactions"), are made in accordance with the conditions of the Waiver and Rule 14A.71 of the Listing Rules.

A1 Entrustment Agreement for Design and Site Investigation in relation to the Shatin to Central Link

The Entrustment Agreement for Design and Site Investigation in relation to the Shatin to Central Link (the "First SCL Agreement") was entered into on 24 November 2008 between the Company and the then Secretary for Transport and Housing for and on behalf of Government.

The First SCL Agreement contains provisions for the design of and site investigation and procurement activities in relation to the proposed Shatin to Central Link, including in relation to:

- Government's obligation to pay the Company up to a maximum aggregate amount of HK$1,500 million in respect of certain costs incurred by the Company pursuant to the First SCL Agreement, including the Company's in-house design costs and certain on-costs and preliminary costs;
- Government's obligation to bear and finance the total cost of the design and site investigation activities under the First SCL Agreement (subject to the limit noted above in respect of payments to the Company) and arrangements for the payment of these costs directly by Government;
- the Company's obligation to carry out or procure the carrying out of the design and site investigation activities in relation to the proposed Shatin to Central Link;
- the limitation of the Company's liability to Government under the First SCL Agreement, except in respect of death or personal injury caused by the negligence of the Company, to HK$600 million; and
- should the railway scheme for the Shatin to Central Link be authorised under the Railways Ordinance (Cap. 519 of the Laws of Hong Kong), the execution of a further agreement by Government and the Company setting out each of their rights, obligations, duties and powers with respect to the financing, construction, completion, testing, commissioning and putting into service the works necessary for the construction and operation of the Shatin to Central Link.

A2 Entrustment Agreement for Advance Works relating to the Shatin to Central Link

The Entrustment Agreement for Advance Works relating to the Shatin to Central Link (the "Second SCL Agreement") was entered into on 17 May 2011 between the Company and the then Secretary for Transport and Housing for and on behalf of Government.

The Second SCL Agreement contains the following provisions:

- in consideration of the Company executing or procuring the execution of certain entrustment activities as set out in the Second SCL Agreement and carrying out its other obligations under the Second SCL Agreement, Government shall pay to the Company the Company's project management cost. The amount of such project management cost is to be agreed between the Company and Government and prior to such agreement, the project management cost shall be paid by Government to the Company on a provisional basis calculated in accordance with the Second SCL Agreement;
- the Company and Government may agree that the Company will carry out (or procure the carrying out of) certain additional works for Government (such agreed additional works being "miscellaneous works"). Miscellaneous works (if any) are to be carried out by the Company in the same manner as if they had formed part of the activities specified to be carried out under the Second SCL Agreement and in consideration of the Company executing or procuring the execution of such miscellaneous works (if any) and carrying out its other obligations under the Second SCL Agreement in relation to such miscellaneous works (if any), Government shall pay to the Company an amount to be agreed between the Company and Government as being the project management fee payable to the Company for designing and constructing such miscellaneous works;
- Government shall bear all of the "Works Cost" (as defined in the Second SCL Agreement). In this connection, Government will make payments to the Company in respect of the Works Cost on a provisional basis, subject to adjustments when the final outturn cost of the Works Cost is determined;

- Government shall bear land acquisition, clearance and related costs and those costs which are incurred by the Lands Department in connection with the Shatin to Central Link project;
- the maximum aggregate amount payable by Government to the Company under the Second SCL Agreement is limited to approximately HK$3,000 million per annum and a total in aggregate of approximately HK$15,000 million;
- the Company shall carry out or procure the carrying out of certain enabling works on the expanded Admiralty Station and the to be constructed Ho Man Tin Station, the reprovisioning of the International Mail Centre from Hung Hom to Kowloon Bay and other works as described under the Second SCL Agreement;
- the Company's total liability to Government under the First SCL Agreement and the Second SCL Agreement, except in respect of death or personal injury caused by the negligence of the Company, is limited to the aggregate fees that have been and will be received by the Company from Government under the First SCL Agreement and the Second SCL Agreement;
- the Company will provide to Government by the end of each calendar month, a progress report on the activities under the Second SCL Agreement that were carried out in the immediately preceding calendar month and, within three months following the completion of the relevant works, a final report on the activities required to be carried out under the Second SCL Agreement;
- the Company shall be responsible for the care of all works constructed under the Shatin to Central Link project from the commencement of construction until the date of handover of those works to Government and for completing or procuring the completion of any outstanding works and/or defective works identified prior to the handover of the works;
- during the period of twelve years following the issue of a certificate of completion by the Company in respect of work carried out under any contract with any third party, the Company shall be responsible for the repair of any defects in such work that are identified following the expiry of any defects liability period under the relevant contract;
- the Company warrants that:
  - in the case of those activities under the Second SCL Agreement that relate to the provision of project management services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent project manager;
  - in the case of those activities under the Second SCL Agreement that relate to the provision of design services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent design engineer; and
  - in the case of those activities under the Second SCL Agreement that relate to the carrying out of construction activities, such activities shall be carried out with the skill and care reasonably to be expected of, and by utilising such plant, goods and materials reasonably to be expected from, a competent and workmanlike construction contractor; and
- Government further undertakes to use reasonable endeavours to provide the Company with assistance of a non-financial nature, including taking all reasonable steps to procure that all necessary licences and consents, required in connection with the design, construction and operation of the Shatin to Central Link are given or granted.

A3 Entrustment Agreement for Construction and Commissioning of the Shatin to Central Link

The Entrustment Agreement for Construction and Commissioning of the Shatin to Central Link (the "Third SCL Agreement") was entered into on 29 May 2012 between the Company and the then Secretary for Transport and Housing for and on behalf of Government.

The Third SCL Agreement contains the following provisions:

- in consideration of the Company executing or procuring the execution of certain entrustment activities as set out in the Third SCL Agreement and carrying out its other obligations under the First SCL Agreement and the Second SCL Agreement, Government shall pay to the Company the Company's project management cost. The amount of the project management cost is HK$7,893 million and will be paid by Government to the Company on a quarterly basis;

- the Company and Government may agree that the Company will carry out (or procure the carrying out of) certain additional works for Government (such agreed additional works being "miscellaneous works"). Miscellaneous works (if any) are to be carried out by the Company in the same manner as if they had formed part of the activities specified to be carried out under the Third SCL Agreement and in consideration of the Company executing or procuring the execution of such miscellaneous works (if any) and carrying out its other obligations under the Third SCL Agreement in relation to such miscellaneous works (if any), Government shall pay to the Company an amount to be agreed between the Company and Government as being the project management fee payable to the Company for designing and constructing such miscellaneous works;
- Government shall bear certain "Third Party Costs", any "Interface Works Costs" and any "Direct Costs" (each as defined in the Third SCL Agreement);
- Government shall bear land acquisition, clearance and related costs and those costs which are incurred by the Lands Department in connection with the Shatin to Central Link project;
- the maximum aggregate amount payable by Government to the Company under the Third SCL Agreement is limited to HK$3,000 million per annum and a total in aggregate of HK$15,000 million;
- the maximum aggregate amount payable by the Company to Government under the Third SCL Agreement in relation to its contribution to certain railway works under the Third SCL Agreement is limited to HK$4,000 million per annum and a total in aggregate of HK$15,000 million;
- the Company's total liability to Government under the First SCL Agreement, the Second SCL Agreement and the Third SCL Agreement, except in respect of death or personal injury caused by the negligence of the Company, is limited to the aggregate fees that have been and will be received by the Company from Government under the First SCL Agreement, the Second SCL Agreement and the Third SCL Agreement;
- the Company will provide to Government by the end of each calendar month, a progress report on the activities under the Third SCL Agreement that were carried out in the immediately preceding calendar month and, within three months following the handover of the Shatin to Central Link project to Government, a final report on the activities required to be carried out under the Third SCL Agreement;
- the Company shall be responsible for the care of all works constructed under the Shatin to Central Link project from the commencement of construction until the date of handover of those works to Government and for completing or procuring the completion of any outstanding works and/or defective works identified prior to the handover of the works;
- during the period of twelve years following the issue of a certificate of completion by the Company in respect of work carried out under any contract with any third party, the Company shall be responsible for the repair of any defects in such work that are identified following the expiry of any defects liability period under the relevant contract;
- the Company warrants that:
  - in the case of those activities under the Third SCL Agreement that relate to the provision of project management services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent project manager;
  - in the case of those activities under the Third SCL Agreement that relate to the provision of design services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent design engineer; and
  - in the case of those activities under the Third SCL Agreement that relate to the carrying out of construction activities, such activities shall be carried out with the skill and care reasonably to be expected of, and by utilising such plant, goods and materials reasonably to be expected from, a competent and workmanlike construction contractor; and
- Government further undertakes to use reasonable endeavours to provide the Company with assistance of a non-financial nature, including taking all

reasonable steps to procure that all necessary licences and consents, required in connection with the design, construction and operation of the Shatin to Central Link are given or granted.

B1 Entrustment Agreement for Design and Site Investigation in relation to the Express Rail Link

The Entrustment Agreement for Design and Site Investigation in relation to the Express Rail Link (the "First XRL Agreement") was entered into on 24 November 2008 between the Company and the then Secretary for Transport and Housing for and on behalf of Government.

The First XRL Agreement contains provisions for the design of and site investigation and procurement activities in relation to the proposed Express Rail Link, including in relation to:

- Government's obligation to pay the Company, up to a maximum aggregate amount of HK$1,500 million, in respect of certain costs incurred by the Company pursuant to the First XRL Agreement, including the Company's in-house design costs and certain on-costs, preliminary costs and recruited staff costs;
- Government's obligation to bear and finance the total cost of the design and site investigation activities under the First XRL Agreement (subject to the limit noted above in respect of payments to the Company) and arrangements for the payment of these costs directly by Government;
- the Company's obligation to carry out or procure the carrying out of the design and site investigation activities in relation to the proposed Express Rail Link;
- the limitation of the Company's liability to Government under the First XRL Agreement, except in respect of death or personal injury caused by the negligence of the Company, to HK$700 million; and
- should the railway scheme for the Express Rail Link be authorised under the Railways Ordinance (Cap. 519 of the Laws of Hong Kong), the execution of a further agreement by Government and the Company setting out each of their rights, obligations, duties and powers with respect to the financing, construction, completion, testing, commissioning and putting into service the works necessary for the construction and operation of the Express Rail Link.

B2 Entrustment Agreement for Construction, Testing and Commissioning of the Express Rail Link

The Entrustment Agreement for the Construction and Commissioning of the Express Rail Link was entered into on 26 January 2010 between the Company and the then Secretary for Transport and Housing for and on behalf of Government (the "Second XRL Agreement").

The scheme in respect of the Express Rail Link was first gazetted under the Railways Ordinance (Cap. 519 of the Laws of Hong Kong) on 28 November 2008, with amendments and corrections gazetted on 30 April 2009. The scheme, as amended with such minor modifications as deemed necessary, was authorised by the Chief Executive in Council on 20 October 2009 and funding support was approved by the Finance Committee on 16 January 2010.

The Second XRL Agreement contains the following provisions:

- in consideration of the Company executing or procuring the execution of certain entrustment activities as set out in the Second XRL Agreement and carrying out its other obligations under the Second XRL Agreement and the First XRL Agreement, Government shall pay to the Company HK$4,590 million (further details relating to the amendments to this provision are set out in the section headed "The Third Agreement in relation to the Express Rail Link"), to be paid in cash quarterly in advance on a scheduled basis as such sum may be varied in accordance with the Second XRL Agreement, subject to the maximum payment limits stated in the Second XRL Agreement (being HK$2,000 million annually and HK$10,000 million in total) (the "Maximum Payment Limits");
- the Company and Government may agree that the Company will carry out (or procure the carrying out of) certain additional works for Government (such agreed additional works being "miscellaneous works"). Miscellaneous works (if any) are to be carried out by the Company in the same manner as if they had formed part of the activities specified to be carried out under the Second XRL Agreement and in consideration of the Company executing or procuring the execution of the miscellaneous works (if any) and carrying out its other obligations under the Second XRL

Agreement in relation to the miscellaneous works (if any), Government shall pay to the Company an amount equal to an agreed fixed percentage of third party costs attributable to the miscellaneous works from time to time subject to the Maximum Payment Limits;

- the Company will provide to Government by the end of each calendar month, a progress report on the activities under the Second XRL Agreement that were carried out in the immediately preceding calendar month and, within three months following the earlier of handover of the Express Rail Link project to Government or termination of the Second XRL Agreement, a final report on the activities required to be carried out under the Second XRL Agreement;
- the Company shall be responsible for the care of all works constructed under the Express Rail Link project from the commencement of construction until the date of handover of those works to Government (or to a third party directed by Government) and for completing or procuring the completion of any outstanding works and/or defective works identified prior to the handover of the works;
- during the period of twelve years following the issue of a certificate of completion by the Company in respect of work carried out under any contract with any third party, the Company shall be responsible for the repair of any defects in such work that are identified following the expiry of any defects liability period under the relevant contract;
- the Company warrants that:
  - in the case of those activities under the Second XRL Agreement that relate to the provision of project management services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent project manager;
  - in the case of those activities under the Second XRL Agreement that relate to the provision of design services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent design engineer; and
  - in the case of those activities under the Second XRL Agreement that relate to the carrying out of construction activities, such activities shall be carried out with the skill and care reasonably to be expected of, and by utilising such plant, goods and materials reasonably to be expected from, a competent and workmanlike construction contractor;
- Government is required to bear (i) any costs payable to third parties, (ii) any charges, costs or amounts payable to any Government department, bureau, agency or body in relation to the activities to be carried out under the Second XRL Agreement, (iii) any and all amounts payable to KCRC as compensation for damage arising as a result of the Company and/or a third party contractor carrying out activities under the Second XRL Agreement; and (iv) all land acquisition, clearance and related costs (including all amounts arising as a result of any claim for compensation by any third party) and those costs which are incurred by the Lands Department in connection with the Express Rail Link project (further details relating to the amendments to this provision are set out in the section headed "The Third Agreement in relation to the Express Rail Link"); and
- Government further undertakes to use reasonable endeavours to provide the Company with assistance of a non-financial nature, including taking all reasonable steps to procure that all necessary licences and consents, required in connection with the design, construction and operation of the Express Rail Link are given or granted.

Government had agreed that the Company would proceed with the construction, testing and commissioning of the Express Rail Link (pursuant to and on the terms of the Second XRL Agreement) on the understanding that the Company would be invited to undertake the operation of the Express Rail Link under the concession approach.

The Third Agreement in relation to the Express Rail Link

On 30 November 2015, Government and the Company entered into the deed of agreement relating to the further funding and completion of the Express Rail Link project (the "Third XRL Agreement"). The Third XRL Agreement contains an integrated package of terms and provides that:

(i) Government will bear and finance the project cost up to HK$84.42 billion;

(ii) if the project cost exceeds HK$84.42 billion, the Company will bear and finance the portion which exceeds that sum (if any), except for certain agreed excluded costs;

(iii) the Company will pay a special dividend of HK$4.40 in aggregate per share in two equal tranches (of HK$2.20 per share, in cash in each tranche);

(iv) certain amendments will be made to the existing entrustment arrangements entered into in 2010 relating to the Express Rail Link, including an increase in the project management fee payable to the Company to HK$6.34 billion;

(v) Government reserves the right to refer to arbitration, after commencement of operations on the Express Rail Link, the question of the Company's liability for the current cost overrun (if any); and

(vi) the Third XRL Agreement was subject to (a) the obtaining of approval of the Company's independent shareholders (which was obtained on 1 February 2016) and (b) the obtaining of approval of the Legislative Council for Government's additional funding obligations (which was obtained on 11 March 2016).

The first tranche of the special dividend of HK$2.20 per share was distributed on 13 July 2016 and the second tranche, also of HK$2.20 per share, was distributed on 12 July 2017.

Pursuant to the Third XRL Agreement, certain amendments have been made to the Second XRL Agreement to reflect the arrangements contained in the Third XRL Agreement, including (i) amendments to the arrangements for the bearing and financing of the project cost; and (ii) an increase in the project management cost payable to the Company to an aggregate of HK$6.34 billion (which reflects the estimate of the Company's expected internal costs in performing its obligations in relation to the Express Rail Link project).

C1 Maintenance Contract for the Automated People Mover System at the Hong Kong International Airport

On 2 July 2020, the Company entered into a contract with the AA for the maintenance of the Automated People Mover system at the Hong Kong International Airport (the "System") for a seven-year period (the "Contract") effective from 6 January 2021. For the total amount received from AA in respect of the services provided under the Contract for the year ended 31 December 2023, please refer to Note 47J to the Notes to the Consolidated Financial Statements. Based on the foregoing and the services expected to be provided by the Company under the Contract, it is expected that the highest amount per year receivable from the AA will be around HK$200 million.

The Contract contains provisions relating to the operation and maintenance of the System as undertaken by the Company and, in particular, it includes the following provisions:

- the duration of the Contract shall be seven years from 6 January 2021 up to and including 5 January 2028;
- the performance of scheduled maintenance works and overhaul of the System;
- the monitoring of the System against any breakdown and the related repair services where necessary;

- the standards to which the Company must operate the System;
- the Company to carry out, in certain circumstances, upgrade work on the System; and
- operational training and corresponding qualifications to the AA's personnel.

C2 Subcontractor Warranty to the AA

On 18 May 2018, the Company provided a sub-contractor warranty to the AA as a result of obtaining a subcontract from Niigata Transys Co., Ltd. ("NTS") for the modification works of the existing System for a seven-year period, effective from 25 September 2017 (the "Subcontract"). It is expected that the highest amount per year receivable from NTS will be no more than HK$60 million.

The Subcontract contains provisions covering the provision and modification of the power distribution, communication and control subsystems in respect of the System, which includes the following:

- modification of the existing System for its extension to the new Automated People Mover Interchange Station;
- provision of related electrical and mechanical systems, including power distribution system, telecommunication systems and maintenance equipment; and
- relocation of existing maintenance equipment to the new Automated People Mover depot.

D Project Agreement for the Financing, Design, Construction and Operation of the West Island Line

The Project Agreement for the Financing, Design, Construction and Operation of the West Island Line (the "WIL Project Agreement") was entered into on 13 July 2009 between the Company and the then Secretary for Transport and Housing for and on behalf of Government.

The WIL Project Agreement contains provisions for the financing of and the carrying out, or procuring the carrying out, of the design, construction, completion, testing and commissioning by the Company of the railway works required in order to bring the West Island Line into operation in accordance with the MTR Ordinance, the Operating Agreement between the Company and the then Secretary for Transport and Housing for and on behalf of Government dated 9 August 2007 and the WIL Project Agreement. The West Island Line will be owned, operated and maintained by the Company for its own account for the period of the Company's railway franchise. The final payment certificate was issued on 28 June 2019.

The WIL Project Agreement includes provisions in relation to:

- payment by Government of HK$12,252 million to the Company in consideration of the Company's obligations under the WIL Project Agreement, such sum constituting funding support from Government for the Company to implement the West Island Line project;
- within 24 months of commercial operations commencing on the West Island Line on a revenue earning basis and providing scheduled transport for the public (which period was extended to no later than 30 June 2018 by a supplemental agreement between the Company and Government dated 23 December 2016, further extended for a period ended on or before 31 March 2019 by a second supplemental agreement between the Company and Government dated 29 June 2018, and further extended for a period ended on 30 June 2019 by a third supplemental agreement between the Company and Government dated 29 March 2019), payment by the Company to Government of any "Repayment Amounts" for any over-estimation of certain capital expenditure, price escalation costs, land costs and the amount of contingency in relation to the railway works and reprovisioning, remedial and improvement works (together with interest);
- the design, construction and completion of the associated reprovisioning, remedial and improvement works (the cost of which shall be the responsibility of the Company) and the associated essential public infrastructure works (the cost of which shall be the responsibility of Government);

- the Company's responsibility for costs relating to land acquisition, clearance and related costs arising from the implementation of the West Island Line project (save for costs arising from certain claims for compensation by third parties) and all costs, expenses and other amounts incurred or paid by the Lands Department pursuant to the involvement of the Lands Department in connection with the implementation of the West Island Line project; and
- the Company carrying out measures specified in the environmental impact assessment and the environmental permit issued by Government to the Company in relation to the West Island Line on 12 January 2009.

III Continuing Connected Transactions relating to the Operation of the High Speed Rail (formerly known as the Express Rail Link)

The following disclosures, in paragraphs A and B below of this section (together, the "Continuing Connected Transactions relating to the Operation of the High Speed Rail"), are made in accordance with the conditions of the Waiver, the Merger-related Waiver and Rule 14A.71 of the Listing Rules.

A Amendment Operating Agreement

On 23 August 2018, the Company and the then Secretary for Transport and Housing, for and on behalf of Government, entered into the Amendment Operating Agreement (the "AOA") to amend and supplement the Operating Agreement dated 9 August 2007 (as described in paragraph D of the section headed "Additional Information in respect of the Rail Merger" on pages 192 to 193), as amended (the "Existing Integrated Operating Agreement"), in order to prescribe the operational requirements that will apply to the High Speed Rail. The intent and effect of the AOA is that the operational requirements that are applicable to the existing railway network will apply in substantially the same manner to the High Speed Rail, save where any amendments are necessary to reflect the particular characteristics of, and arrangements for, the High Speed Rail.

The AOA is an "operating agreement" for the purposes of the MTR Ordinance, forms part of the legal and regulatory regime for the operation of railways in Hong Kong and is required for the purposes of the MTR Ordinance so that the High Speed Rail is properly regulated under the MTR Ordinance.

Principal Terms of the AOA are as follows:

The terms of the AOA are based substantially on the terms of the Existing Integrated Operating Agreement. The AOA has taken effect on 23 September 2018 (the "Commercial Operation Date (High Speed Rail)") and will expire at the same time as the Supplemental Service Concession Agreement (the "SSCA") entered into between the Company and KCRC on 23 August 2018.

Certain principal terms of the AOA that are specific to the High Speed Rail include:

- obligations on the Company to maintain specific performance requirements in relation to train service delivery, ticket machine reliability, ticket-gate reliability and escalators and passenger lifts reliability;
- obligations on the Company to publish specific customer services pledges in relation to train service delivery, ticket machine reliability, ticket-gate reliability, escalators and passenger lifts reliability, temperature and ventilation levels, railway cleanliness (relating only to the Company's High Speed Rail trains) and passenger enquiry response time;
- obligations in relation to the carrying out of the maintenance of the Company's High Speed Rail trains outside Hong Kong;
- obligations on the Company to carry out design checks and tests to verify that the Mainland operator's High Speed Rail trains are compatible with the Company's infrastructure and can run on the High Speed Rail safely;
- establishing procedures with the Mainland operator for approving the Mainland operator's trains to run on the High Speed Rail safely and for informing Government of the modification of any such trains;
- developing and maintaining a training qualification system for drivers of High Speed Rail trains;

- facilitating the carrying out of inspections by the railway inspector, including liaising with the Mainland operator for this purpose, where necessary;
- security obligations in relation to maintaining the integrity and security of the boundaries of the Mainland Port Area and the Cross-Boundary Restricted Area; and
- mechanisms and Government approval procedures for setting fares for High Speed Rail train journeys, including that:
  - (i) prior to the Commercial Operation Date (High Speed Rail), the Company will seek prior written consent from Government before setting the fares for the various available High Speed Rail ticket types; and
  - (ii) thereafter, fares cannot be adjusted, introduced or withdrawn without the prior consent of Government.

B Supplemental Service Concession Agreement

On 23 August 2018, the Company and KCRC entered into the SSCA to supplement the Service Concession Agreement dated 9 August 2007 (as described in paragraph B of the section headed "Additional Information in respect of the Rail Merger" on pages 191 to 192) (the "Existing Service Concession Agreement") in order for KCRC to grant a concession to the Company in respect of the High Speed Rail and to prescribe the operational and financial requirements that will apply to the High Speed Rail. The intent and effect of the SSCA is that the operational requirements that are applicable to the Company's operation of the existing KCRC railway system will apply in substantially the same manner to the High Speed Rail, save where any amendments are necessary to reflect the particular characteristics of, and arrangements for, the High Speed Rail. The financial provisions in the SSCA have been designed to reflect the provisions of the Existing Integrated Operating Agreement that relate to new concession projects, such as the High Speed Rail subject as set out below.

The SSCA is a "service concession agreement" for the purposes of the MTR Ordinance, forms part of the legal and regulatory regime for the operation of railways in Hong Kong and is required for the purposes of the MTR Ordinance so that the High Speed Rail is properly regulated under the MTR Ordinance.

Principal Terms of the SSCA

The terms of the SSCA are based substantially on the terms of the Existing Service Concession Agreement. The operating period with respect to the High Speed Rail has commenced on the Commercial Operation Date (High Speed Rail) and will terminate automatically on the earlier of:

(i) a revocation of the Company's franchise under the MTR Ordinance in whole or in respect of the High Speed Rail; and

(ii) the date falling immediately before the tenth anniversary of the Commercial Operation Date (High Speed Rail), but may be extended subject to further negotiation between the Company and KCRC in accordance with the mechanism set out in the SSCA, in which case it shall terminate on such other date as is agreed between the Company and KCRC (the "Concession Period (High Speed Rail)").

Certain principal terms of the SSCA that are specific to the High Speed Rail include:

- Additional concession payments for the High Speed Rail
  - (i) General

    The additional concession payments to be made by the Company to KCRC and by KCRC to the Company in respect of the High Speed Rail (described below) have been designed to reflect the requirements under the Existing Integrated Operating Agreement, inter alia, for the Company to retain 10% of the currently expected positive discounted net cash flow from the operation of the High Speed Rail (being discounted at a discount rate which reflects the Company's commercial rate of return in relation to the High Speed Rail).

The SSCA provides for the fixed annual payments and variable annual payments structure for the additional concession payments, to reflect the current concession payments structure for the existing KCRC system under the Existing Service Concession Agreement.

The additional concession payments for the High Speed Rail are in addition to, and do not replace, the payments made in respect of the existing KCRC system under the Existing Service Concession Agreement.

(ii) Variable annual payments

The variable annual payments (being payments by the Company to KCRC) will be calculated in the same manner prescribed under the Existing Service Concession Agreement whereby the Company pays to KCRC, for each financial year, a certain percentage of the revenue generated from the KCRC system (being 35% for revenues generated from the KCRC system that are beyond the first HK$7.5 billion). For the purposes of calculating the variable annual payments, the revenue generated from the KCRC system shall include the actual revenue from the High Speed Rail fares received or retained by the Company and revenue derived from businesses related to the High Speed Rail which may include, without limitation, advertising, telecommunications, duty free and kiosk rental.

(iii) Fixed annual payments for the High Speed Rail

In light of the variable annual payments described in paragraph (ii) above and in order for the Company to be able to retain 10% of the currently expected positive discounted net cash flow from the operation of the High Speed Rail as described above, the fixed annual payments shall comprise payments from KCRC to the Company which, in aggregate, over the Concession Period (High Speed Rail), will be equal to HK$7,965 million.

These fixed annual payments shall be without prejudice to the Company's obligation to pay the fixed annual payments of HK$750 million each financial year to KCRC under the Existing Service Concession Agreement.

- Revenue-related arrangements

In addition, the SSCA contains the following revenue-related arrangements:

(i) Patronage adjustment

In respect of actual deviations from the current patronage projections for the High Speed Rail:

(a) any excess or shortfall in actual patronage of up to 15% in relation to the currently projected patronage for the High Speed Rail will be borne by the Company; and

(b) any excess or shortfall in actual patronage greater than 15% in relation to the currently projected patronage for the High Speed Rail will be borne between the Company and KCRC in the proportions of 30% by the Company and 70% by KCRC.

(ii) Incremental revenue adjustment

In respect of actual deviations from the currently projected patronage for the Company's existing cross-boundary services to and from Lo Wu and Lok Ma Chau, and the existing intercity service, the Company may receive two payments from KCRC (in respect of the period from and including the Commercial Operation Date (High Speed Rail) up to and including 31 December 2023 and in respect of the period from and including 1 January 2024 up to and including the day falling immediately before the tenth anniversary of the Commercial Operation Date (High Speed Rail), respectively) and which will be capped at HK$500 million and HK$1,000 million, respectively.

(iii) Mainland discount programme loss

In respect of revenue loss resulting from the Mainland Student Ticket Discount and the Mainland Disabled Military/Police Officer Discount programmes adopted by the Mainland operator, the Company will receive reimbursement payments from KCRC on an annual basis.

KCRC and the Company will also discuss in good faith similar reimbursement arrangements should the Mainland operator introduce any other discount programmes in future.

(iv) Service fees subsidy

In respect of the proportion of the service fee charged in respect of tickets sold at West Kowloon Station for journeys originating from and terminating at any railway station in the Mainland which Government has directed should be borne by the Company, the Company will receive reimbursement payments from KCRC on an annual basis.

- Pre-operating costs reimbursements

In addition, KCRC shall reimburse the Company for the pre-operating costs that are agreed between the Company and KCRC, being costs and expenses reasonably incurred by the Company prior to the Commercial Operation Date (High Speed Rail) that satisfy all of the following criteria:

(i) that directly resulted from the planning and commencement of the operation of the relevant High Speed Rail assets;

(ii) that have not already been paid, and will not be paid or payable, by Government to the Company under any relevant agreement or which the Company and Government otherwise agree in writing should be treated as a pre-operating cost;

(iii) that are not covered in any of the payments to be made by KCRC to the Company under the SSCA; and

(iv) that fall within certain other types of agreed costs and expenses in connection with the operation of the High Speed Rail (including, mobilisation activities in preparation for the opening of the High Speed Rail and trial operations prior to the opening of the High Speed Rail, and other items as may be agreed between KCRC and the Company).

- Equalisation payment

If the franchise is revoked by Government prior to 31 December 2023, KCRC is required to make a payment to the Company of an amount that is equivalent to the aggregate fixed annual payment payable by KCRC over the ten-year life of the concession, reduced pro rata to take account of the time at which termination occurs, and less any amounts of the fixed annual payment already paid to the Company. The intention of this equalisation payment is to ensure that the Company is partly protected in the event of early termination of the concession in respect of the High Speed Rail.

- High Speed Rail services

The Company is obliged to operate the High Speed Rail during the Concession Period (High Speed Rail) to the standards prescribed in the MTR Ordinance and the Existing Operating Agreement (subject as otherwise stated herein). The Company is not regarded as having failed to meet a requirement under the MTR Ordinance or the Existing Integrated Operating Agreement if the failure has resulted from anything done or omitted to be done by the Mainland operator, any Mainland authority or persons directly under their control.

- Return requirements

If the Concession Period (High Speed Rail) expires or is terminated, the Company shall, at no cost to KCRC, redeliver possession of the High Speed Rail concession property.

IV Continuing Connected Transactions relating to the Operation of the Shatin to Central Link

The following disclosures, in paragraphs IV-1 and IV-2 below of this section (together, the "Continuing Connected Transactions relating to the Operation of the Shatin to Central Link"), are made in accordance with the conditions of the Waiver, the Merger-related Waiver and Rule 14A.71 of the Listing Rules.

The Shatin to Central Link is commissioned in two parts. The Tuen Ma Line as a whole was commissioned on 27 June 2021 and formed the first part of the Shatin to Central Link. Construction of the second part of the Shatin to Central Link has been completed and commercial operations on the Shatin to Central Link as a whole commenced on 15 May 2022.

IV-1 First Part of the Shatin to Central Link – Tuen Ma Line

The first phase of the Tuen Ma Line (the "TML1") which extended the Ma On Shan Railway ("MOSR") from Tai Wai to Kai Tak with two stations at Hin Keng and Kai Tak, and an interchange station at Diamond Hill, was commissioned on 14 February 2020. The second phase of the Tuen Ma Line, runs from Kai Tak to Hung Hom with two new stations at Sung Wong Toi and To Kwa Wan and incorporating one existing station at Ho Man Tin, and it integrated the TML1 with West Rail into a single railway line that is known as the Tuen Ma Line (the "TML"). Commercial operations on the TML as a whole commenced on 27 June 2021. This forms the first part of the Shatin to Central Link.

Amendment Operating Agreements, Supplemental Operating Agreements and Amendment No.1 to Memorandum on Performance Requirements

On 11 February 2020, the Company and the then Secretary for Transport and Housing, for and on behalf of Government, entered into the Amendment Operating Agreement (the "TML1 AOA") and the Company and the Commissioner for Transport, for and on behalf of Government, entered into the Supplemental Operating Agreement (the "TML1 SOA") to amend and supplement, respectively, the Existing Integrated Operating Agreement in order to prescribe the operational requirements, such as service standards, that will apply to the TML1. The intent and effect of the TML1 AOA and the TML1 SOA together is that the operational requirements that are applicable to the existing railway network will apply in substantially the same manner to the TML1.

On 21 June 2021, the Company and the then Secretary for Transport and Housing, for and on behalf of Government, entered into the Amendment Operating Agreement (the "TML AOA") to amend and the Company and the Commissioner for Transport, for and on behalf of Government, entered into the Supplemental Operating Agreement (the "TML SOA") and the Amendment No.1 to Memorandum on Performance Requirements (the "Memorandum Amendment") to supplement the Existing Integrated Operating Agreement in order to prescribe the operational requirements that will apply to the TML as a whole, such as service standards. The intent and effect of the TML AOA, the TML SOA and the Memorandum Amendment together is that the operational requirements that are applicable to the existing railway network will apply in substantially the same manner to the TML as a whole.

The TML1 AOA, TML AOA, TML1 SOA, TML SOA and the Memorandum Amendment are each an "operating agreement" for the purposes of the MTR Ordinance, form part of the legal and regulatory regime for the operation of railways in Hong Kong and are required for the purposes of the MTR Ordinance so that the TML as a whole is properly regulated under the MTR Ordinance.

The principal terms of the TML1 AOA, TML AOA, TML1 SOA, TML SOA and the Memorandum Amendment have the effect of bringing the TML as a whole within the legal and regulatory regime for the operation of railways in Hong Kong contained in the Existing Integrated Operating Agreement, as explained in the paragraphs above. The amendments under (1) the TML1 AOA and TML1 SOA took effect on 14 February 2020; and (2) the TML AOA, the TML SOA and the Memorandum Amendment took effect on 21 June 2021.

IV-2 Shatin to Central Link as a whole

The second part of the Shatin to Central Link, extends from Hung Hom Station to Admiralty Station with a station at Exhibition Centre, and it integrates with the railway lines connecting Lo Wu Station and Lok Ma Chau Station to Hung Hom Station (excluding such portion of the Hung Hom Station designed and constructed pursuant to certain entrustment agreements and those assets set out in certain assignment agreements between KCRC and Government) (the "East Rail Line (Original)") into a single railway line. This, together with the TML, forms the entire Shatin to Central Link.

A Amendment Operating Agreement and Supplemental Operating Agreement

On 10 May 2022, the Company and the then Secretary for Transport and Housing, for and on behalf of Government, entered into the Amendment Operating Agreement (the "SCL AOA") and the Company and the Commissioner for Transport, for and on behalf of Government, entered into the Supplemental Operating Agreement (the "SCL SOA") to amend and supplement, respectively, the Existing Integrated Operating Agreement in order to prescribe the operational requirements that will apply to the Shatin to Central Link as a whole, such as service standards. The intent and effect of the SCL AOA and the SCL SOA together is that the operational requirements that are applicable to the existing railway network will apply in substantially the same manner to the Shatin to Central Link as a whole.

The SCL AOA and the SCL SOA are each an "operating agreement" for the purposes of the MTR Ordinance, form part of the legal and regulatory regime for the operation of railways in Hong Kong and are required for the purposes of the MTR Ordinance so that the Shatin to Central Link as a whole is properly regulated under the MTR Ordinance.

The principal terms of the SCL AOA and the SCL SOA have the effect of bringing the Shatin to Central Link as a whole within the legal and regulatory regime for the operation of railways in Hong Kong contained in the Existing Integrated Operating Agreement, as explained in the paragraphs above. The amendments under the SCL AOA and the SCL SOA took effect on 10 May 2022.

B Supplemental Service Concession Agreement

On 10 May 2022, the Company and KCRC entered into the Supplemental Service Concession Agreement No. 4 (the "SCL SSCA") relating to the Shatin to Central Link, to supplement the Existing Service Concession Agreement and to supersede and replace the Supplemental Service Concession Agreement No. 3 (the "TML SSCA") dated 21 June 2021 relating to the TML, in order for KCRC to grant a concession to the Company in respect of the Shatin to Central Link as a whole and to prescribe the operational and financial requirements that will apply to the Shatin to Central Link as a whole. The TML SSCA had, in turn, superseded and replaced the Supplemental Service Concession Agreement No.2 dated 11 February 2020 relating to the TML1 (the "TML1 SSCA"). The intent and effect of the SCL SSCA is that the operational requirements that are applicable to the Company's operation of the existing KCRC railway system will apply in substantially the same manner to the Shatin to Central Link as a whole, save where any amendments are necessary to reflect the particular characteristics of, and arrangements for, the Shatin to Central Link as a whole. The financial provisions in the SCL SSCA have been designed to reflect the principles contained in the Existing Integrated Operating Agreement that relate to new concession projects, such as the Shatin to Central Link other than as set out below.

The SCL SSCA is a "service concession agreement" for the purposes of the MTR Ordinance, forming part of the legal and regulatory regime for the operation of railways in Hong Kong, and is required for the purposes of the MTR Ordinance so that the Shatin to Central Link as a whole is properly regulated under the MTR Ordinance.

Principal Terms of the SCL SSCA

The terms of the SCL SSCA are based substantially on the terms of the Existing Service Concession Agreement, as explained in the paragraphs above. The SCL SSCA was made on 10 May 2022 and the term of the service concession and licence granted by KCRC to the Company pursuant to the terms of the SCL SSCA commenced on 13 May 2022 (the "New Project Effective Date (NSL)") and the commercial operation of the part of the railway line connecting such portion of the Hung Hom Station, the Exhibition Centre Station and the Shatin to Central Link Portion (as defined in the assignment deed in relation to Inland Lot No. 9070 dated 13 May 2022) ("NSL") commenced on 15 May 2022 (the "Commercial Operation Date (NSL)"), which will terminate automatically on and from the earlier of (being the "Termination Date (SCL)"):

(i) the effective date of the revocation of the franchise pursuant to the MTR Ordinance as it relates to the KCRC railway;

(ii) the effective date of the withdrawal or revocation of the permission by the Director of Lands pursuant to the vesting deeds entered into between KCRC and Government as well as the revocation of the franchise pursuant to the MTR Ordinance as it relates to the Shatin to Central Link;

(iii) any date designated as a Termination Date (SCL) for the purposes of the SCL SSCA in any legally binding agreement for any extension of the period commencing on the New Project Effective Date (NSL) and ending on the day prior to the Termination Date (SCL) (the "Concession Period (SCL)") beyond the Natural Expiry Date (SCL) (as defined in (iv) below) on such terms and conditions as the Company on the one hand, and KCRC (or a nominee of Government and/or any third party designated by Government) on the other may agree by way of an agreement to follow the SCL SSCA (including, without limitation, that the Company shall operate the Shatin to Central Link pursuant to a service concession as defined in the MTR Ordinance) (the "SCL Concession Extension") (which shall supersede and replace the SCL SSCA); and

(iv) the day falling immediately before the tenth anniversary of the Commercial Operation Date (NSL), or such later date as each of the Company, KCRC and Government may agree in a written agreement by no later than the date falling one month prior to the tenth anniversary of the Commercial Operation Date (NSL) or prior to the last extended date (where applicable) (the "Natural Expiry Date (SCL)").

Certain principal terms of the SCL SSCA that are specific to the Shatin to Central Link include:

- Concession payments

  The concession payments under the SCL SSCA consists of variable annual payments (payable by the Company to KCRC) and fixed annual payments (payable by KCRC to the Company).

  (i) Variable annual payments and fixed annual payments

  The variable annual payments (being payments by the Company to KCRC) will be calculated in the same manner prescribed under the Existing Service Concession Agreement whereby the Company pays to KCRC, for each financial year, a certain percentage of the revenue generated from the KCRC system. For the purposes of calculating the variable annual payments, the revenue generated from the KCRC system shall include the actual revenue from the TML and the East Rail Line (including the NSL) fares received or retained by the Company and revenue derived from businesses related to the TML and the East Rail Line (including the NSL) which may include, without limitation, telecommunications and kiosk rental, subject to certain agreed adjustments.

  In light of the variable annual payments described in the paragraph above and in order for the Company to be able to earn a commercial return, the fixed annual payments shall comprise payments from KCRC to the Company over the Concession Period (SCL). These fixed annual payments shall be without prejudice to the Company's obligation to pay the fixed annual payments of HK$750 million each financial year to KCRC under the Existing Service Concession Agreement.

  (ii) Estimated net amount of the concession payments

  Based on the Concession Period (SCL) terminating on the Natural Expiry Date (SCL), the estimated net amount of the concession payments under the SCL SSCA (taking into account both the estimated variable annual payments and the fixed annual payments for the Shatin to Central Link) payable by the Company to KCRC is expected, in aggregate, to be approximately HK$1,036 million (subject to certain agreed adjustments) over the Concession Period (SCL).

- Equalisation payment

  If the Termination Date (SCL) occurs prior to 31 December 2028, KCRC is required to make a payment to the Company of an amount that is equivalent to the aggregate fixed annual payment payable by KCRC over the ten-year life of the concession, reduced pro rata to take account of the time at which termination occurs, and less any amounts of the fixed annual payment already paid to the Company. The intention of this equalisation payment is to ensure that the Company is partly protected in the event of early termination of the concession in respect of the Shatin to Central Link.

- A new legally binding agreement in relation to an SCL Concession Extension for the Shatin to Central Link

  On and from 1 January 2029 (or such earlier date as may be agreed in writing by the Company, KCRC and Government) up to and including the date that is twelve months before the Natural Expiry Date (SCL) (prior to any extension) or such later date as may be agreed in writing by the Company, KCRC and Government, Government, the Company and KCRC shall commence exclusive negotiations in good faith with a view to agreeing the terms of a legally binding agreement in relation to a SCL Concession Extension (including, without limitation, that the Company shall operate the Shatin to Central Link pursuant to a service concession as defined in the MTR Ordinance) which shall apply to the Shatin to Central Link the Existing Integrated Operating Agreement and which should in accordance with the Existing Integrated Operating Agreement, enable the Company to earn a commercial rate of return from its operation of the Shatin to Central Link.

- Return requirements

  If the Concession Period (SCL) expires or is terminated, and there has been no SCL Concession Extension, the Company shall, at no cost to KCRC, redeliver possession of the Shatin to Central Link concession property (which, for the avoidance of doubt, excludes the MOSR, the West Rail Line and the East Rail Line (Original)).

In relation to the Merger-related Continuing Connected Transactions, the Non Merger-related Continuing Connected Transactions, the Continuing Connected Transactions relating to the Operation of the High Speed Rail and the Continuing Connected Transactions relating to the Operation of the Shatin to Central Link (collectively "Transactions") and in accordance with (i) in the case of the Merger-related Continuing Connected Transactions, paragraph B(I)(i) of the Merger-related Waiver; (ii) in the case of the Non Merger-related Continuing Connected Transactions, paragraph B(I)(iii)(a) of the Waiver; (iii) in the case of the Continuing Connected Transactions relating to the Operation of the High Speed Rail, paragraph B(I)(i) of the Merger-related Waiver and paragraph B(I)(iii)(a) of the Waiver; and (iv) in the case of the Continuing Connected Transactions relating to the Operation of the Shatin to Central Link, paragraph B(I)(i) of the Merger-related Waiver and paragraph B(I)(iii)(a) of the Waiver, the Company confirms that the Independent Non-executive Directors of the Company have reviewed and confirmed that each of the Transactions was entered into:

(1) in the ordinary and usual course of business (within the meaning of the Listing Rules) of the Group;

(2) on normal commercial terms or better (within the meaning of the Listing Rules); and

(3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company has engaged the auditors of the Company to report on the Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with (i) in the case of the Merger-related Continuing Connected Transactions, paragraph B(I)(ii) of the Merger-related Waiver; (ii) in the case of the Non Merger-related Continuing Connected Transactions, paragraph B(I)(iii)(b) of the Waiver; (iii) in the case of the Continuing Connected Transactions relating to the Operation of the High Speed Rail, paragraph B(I)(ii) of the Merger-related Waiver and paragraph B(I)(iii)(b) of the Waiver; and (iv) in the case of the Continuing Connected Transactions relating to the Operation of the Shatin to Central Link, paragraph B(I)(ii) of the Merger-related Waiver and paragraph B(I)(iii)(b) of the Waiver, the auditors have provided letters to the Board confirming that:

(a) nothing has come to their attention that causes them to believe that any of the Transactions has not been approved by the Board; and

(b) nothing has come to their attention that causes them to believe that any of the Transactions was not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

Additional Information in respect of the Rail Merger

The Rail Merger consisted of a number of separate agreements, each of which was detailed in the circular issued by the Company on 3 September 2007 in connection with the Rail Merger, and which together formed a complete package deal which was approved by the independent shareholders of the Company at an Extraordinary General Meeting held on 9 October 2007. The information set out at paragraph A below of this section describes the payment framework adopted in respect of the Rail Merger and paragraphs B to F below of this section set out summaries of the various agreements entered into by the Company in respect of the Rail Merger in addition to those agreements disclosed above under the heading "Merger-related Continuing Connected Transactions".

A Payments in connection with Merger-related Agreements

In connection with the Rail Merger, the following initial payments were made by the Company to KCRC on 2 December 2007 (being the Merger Date):

- an upfront payment of HK$4.25 billion, payable under the Service Concession Agreement (as described in paragraph B below of this section), being the upfront fee for the right to operate the Service Concession (as defined in paragraph B below of this section) and the consideration for the purchased rail assets; and
- an upfront payment of HK$7.79 billion payable under the Merger Framework Agreement (as described on page 174) in consideration for the execution of the Property Package Agreements (as described in paragraph C on page 175 and in paragraph F below of this section) and the sale of the shares in the subsidiaries of KCRC (the "KCRC Subsidiaries") that were transferred to the Company under the Sale and Purchase Agreement which was entered into on 9 August 2007 between the Company and KCRC.

In addition to the initial payments above, the Company is also required to make the following payments to KCRC going forward:

- fixed annual payments of HK$750 million payable under the Service Concession Agreement, for the right to use and operate the concession property for the operation of the service concession, in arrears on the day immediately preceding each anniversary of the Merger Date which falls during the concession period in respect of the 12-month period up to and including the date on which such payment falls due; and
- variable annual payments payable under the Service Concession Agreement, for the right to use and operate the concession property for the operation of the service concession, in each case, calculated on a tiered basis by reference to the amount of revenue from the KCRC system (as determined in accordance with the Service Concession Agreement) for each financial year of the Company. No variable annual payment is payable in respect of the first 36 months following the Merger Date.

As a complete package deal, other than the payment elements described above and unless stated otherwise in the relevant paragraph below in this section, no specific allocation was made between the various elements of the Rail Merger.

B Service Concession Agreement

The Service Concession Agreement was entered into on 9 August 2007 between the Company and KCRC.

The Service Concession Agreement contains provisions in relation to the grant and operation of a service concession and licence granted by KCRC to the Company (the "Service Concession"), including in relation to:

- the grant of the Service Concession to the Company to access, use and operate the concession property (other than KCRC railway land referred to immediately below) to certain specified standards;
- the grant of a licence to access and use certain KCRC railway land;
- the term (being an initial period of 50 years from the Merger Date) of the Service Concession and redelivery of the KCRC system upon expiry or termination of the concession period. The Service Concession will end if the Company's franchise relating to the KCRC railway is revoked;
- the payments of an upfront payment of HK$4.25 billion and fixed annual payments and variable annual payments (as described in paragraph A above in this section);
- KCRC remaining the legal and beneficial owner of the concession property as at the Merger Date and the Company being the legal and beneficial owner of certain future concession property (the "Additional Concession Property");
- the regime for compensation payable by KCRC to the Company if Additional Concession Property is returned to KCRC at the end of the concession period;
- the rights and restrictions of the Company and KCRC in relation to the concession property; and
- subject to certain conditions, the Company bearing all risks, liabilities and/or costs whatsoever associated with or arising from the concession property and the land on which any of the concession property is located during the concession period.

On 23 August 2018, the Company and KCRC entered into the SSCA in order for KCRC to grant a concession to the Company in respect of the High Speed Rail and to prescribe the operational and financial requirements that will apply to the High Speed Rail. Further details are set out in the sub-section headed "III Continuing Connected Transactions relating to the Operation of the High Speed Rail (formerly known as the Express Rail Link)" in the section headed "Continuing Connected Transactions".

On 11 February 2020, the Company and KCRC entered into the TML1 SSCA in order for KCRC to grant a concession to the Company in respect of the TML1 of the Shatin to Central Link and to prescribe the operational and financial requirements that will apply to the TML1. On 21 June 2021, the Company and KCRC further entered into the TML SSCA in order for KCRC to grant a concession to the Company in respect of the TML and to prescribe the operational and financial requirements that will apply to the TML, which superseded the TML1 SSCA. On 10 May 2022, the Company and KCRC entered into the SCL SSCA in order for KCRC to grant a concession to the Company in respect of the Shatin to Central Link as a whole and to prescribe the operational and financial requirements that will apply to the Shatin to Central Link as a whole, which superseded the TML SSCA. Further details are set out in the sub-section headed "IV Continuing Connected Transactions relating to the Operation of the Shatin to Central Link" in the section headed "Continuing Connected Transactions".

C Sale and Purchase Agreement

The Sale and Purchase Agreement was entered into on 9 August 2007 between the Company and KCRC.

The Sale and Purchase Agreement provides the terms pursuant to which the Company acquired certain assets and contracts (the "Purchased Rail Assets") from KCRC.

The consideration for the sale of the Purchased Rail Assets (excluding the shares in the KCRC Subsidiaries) formed part of the upfront payment of HK$4.25 billion. The consideration for the sale of the shares in the KCRC Subsidiaries (which own the Category 1A Properties referred to at paragraph F below in this section and act as property managers) formed part of the payment of HK$7.79 billion for the property package (as described in paragraph A above in this section and in paragraph F below in this section).

D Operating Agreement

The Operating Agreement was entered into on 9 August 2007 between the Company and the then Secretary for Transport and Housing for and on behalf of Government as contemplated in the MTR Ordinance.

The Operating Agreement is based on the previous Operating Agreement which was signed on 30 June 2000. The Operating Agreement differs from the previous Operating Agreement to provide for, amongst other things, the nature of the combined MTRC railway and KCRC railway.

The Operating Agreement includes terms relating to:

- the extension of the Company's franchise under the MTR Ordinance;
- the design, construction and maintenance of the railway;
- passenger services;
- a framework for the award of new projects and the operation and ownership structure of new railways;
- the adjustment mechanism to be applied to certain of the Company's fares; and
- compensation which may be payable under the MTR Ordinance to the Company in relation to a suspension, expiry or termination of the franchise.

Under the Operating Agreement, the fare adjustment mechanism is subject to review periodically. The first of such reviews was undertaken in 2013 and the second was conducted in 2017. The Company and Government agreed on 16 April 2013 to amend the fare adjustment mechanism. On 21 March 2017, the Company announced that it and Government had agreed to maintain the fare adjustment mechanism formula and direct-drive nature of such formula, save for certain consequential changes as a result of the review of the formula having been advanced by one year. In addition, the wider terms of the Operating Agreement are subject to review every five years and such a review was also undertaken in 2013. As a result of such review, the Company and Government agreed measures in enhancing communication and liaison on operational arrangements.

On 23 August 2018, the Company and the then Secretary for Transport and Housing, for and on behalf of Government, entered into the AOA to amend and supplement the Operating Agreement dated 9 August 2007, as amended, in order to prescribe the operational requirements that will apply to the High Speed Rail. Further details are set out in the sub-section headed "III Continuing Connected Transactions relating to the Operation of the High Speed Rail (formerly known as the Express Rail Link)" in the section headed "Continuing Connected Transactions".

On 11 February 2020, the Company and the then Secretary for Transport and Housing, for and on behalf of Government, entered into the TML1 AOA and the Company and the Commissioner for Transport, for and on behalf of Government, entered into the TML1 SOA to amend and supplement, respectively, the Existing Integrated Operating Agreement, in order to prescribe the operational requirements that will apply to the TML1 of the Shatin to Central Link. On 21 June 2021, the Company and the then Secretary for Transport and Housing, for and on behalf of Government, further entered into the TML AOA and the Company and the Commissioner for Transport, for and on behalf of Government, further entered into the TML SOA and the Memorandum Amendment to amend and supplement, respectively, the Existing Integrated Operating Agreement in order to prescribe the operational requirements that will apply to the TML of the Shatin to Central Link. On 10 May 2022, the Company and the then Secretary for Transport and Housing, for and on behalf of Government, entered into the SCL AOA and the Company and the Commissioner for Transport, for and on behalf of Government, entered into the SCL SOA to amend and supplement, respectively, the Existing Integrated Operating Agreement, in order to prescribe the operational requirements that will apply to the Shatin to Central Link as a whole. Further details are set out in the sub-section headed "IV Continuing Connected Transactions relating to the Operation of the Shatin to Central Link" in the section headed "Continuing Connected Transactions".

E Memorandum on Performance Requirements

The Memorandum on Performance Requirements was signed by the Company and the Commissioner for Transport for and on behalf of Government on 9 August 2007. It sets out the prescribed formulae for calculating the Performance Requirements. Further details are set out in the section headed "Amendment Operating Agreements, Supplemental Operating Agreements and Amendment No.1 to Memorandum on Performance Requirements" under paragraph "IV-1 First Part of the Shatin to Central Link – Tuen Ma Line" in the sub-section headed "IV Continuing Connected Transactions relating to the Operation of the Shatin to Central Link" in the section headed "Continuing Connected Transactions".

F Additional Property Package Agreements

Category 1A Properties

The Category 1A Properties are held by the KCRC Subsidiaries. Under the terms of the Sale and Purchase Agreement, the Company acquired from KCRC the shares in the KCRC Subsidiaries (and thereby indirectly acquired the "Category 1A Properties").

Category 1B Properties

On 9 August 2007, KCRC and the Company entered into an agreement for sale and purchase under which KCRC agreed to assign certain properties (the "Category 1B Properties") to the Company on the Merger Date. The relevant assignment was executed between KCRC and the Company on 2 December 2007.

Category 2A Properties

On 9 August 2007, Government entered into an undertaking that it would issue to KCRC an offer for the grant at nil premium of Government leases in respect of the land upon which certain properties (the "Category 2A Properties") are situated (the "said Government Leases"). The Category 2A Properties were held by KCRC as vested land under the Kowloon-Canton Railway Corporation Ordinance (Cap. 372 of the Laws of Hong Kong). On 9 August 2007, KCRC entered into an undertaking that it would, immediately after the grant of the said Government Leases referred to in the preceding sentence, enter into agreements for sale and purchase to sell the Category 2A Properties to the Company (the "said Agreements for Sale and Purchase"). Assignments of the Category 2A Properties to the Company shall then take place pursuant to the said Agreements for Sale and Purchase (the "said Assignments").

The said Government Leases were issued to KCRC respectively on 27 March 2009 and 31 March 2009. The said Agreements for Sale and Purchase were entered into between KCRC and the Company on 27 March 2009 and 31 March 2009 respectively and the said Assignments to the Company were executed on 27 March 2009 and 31 March 2009 respectively. Deeds of Mutual Grant were also entered into between the Company and KCRC on 27 March 2009 and 31 March 2009 respectively setting out the easements, rights, entitlements, privileges and liberties of the Company and KCRC in the land on which the Category 2A Properties are situated.

Category 2B Property

On 9 August 2007, Government entered into an undertaking that it would issue to the Company an offer for the grant of a Government Lease of a certain property (the "Category 2B Property") on terms to be agreed.

The basic terms offer for the Category 2B Property (i.e. Trackside Villas) was issued and accepted by the Company on 31 December 2009 and Government Lease in respect of Tai Po Town Lot No. 199 dated 29 March 2010 was issued for a term of 50 years from 2 December 2007.

Category 4 Properties

On 9 August 2007, Government entered into an undertaking that it would, within periods to be agreed between the Company and Government, offer to the Company a private treaty grant in respect of certain development sites (the "Category 4 Properties"). The terms of each private treaty grant shall generally be determined by Government, and the premium for each private treaty grant shall be assessed on a full market value basis ignoring the presence of the railway other than the Tin Shui Wai Terminus, Light Rail, Yuen Long, New Territories.

On 9 August 2007, the Company issued a letter to KCRC confirming that, if there should be any railway premises on the Category 4 Properties, the Company would assign the railway premises to KCRC.

Metropolis Equity Sub-participation Agreement

The Metropolis Equity Sub-participation Agreement was entered into on 9 August 2007 between KCRC and the Company. KCRC is obliged to act on the Company's instructions, and pay to the Company any distributions, or proceeds of sale, relating to its shareholding in the property management company The Metropolis Management Company Limited ("Metropolis"). The issued share capital of Metropolis is 25,500 A shares (which are held by KCRC) and 24,500 B shares (which are held by Cheung Kong Property Management Limited). Metropolis' business is property management.

G Application of Merger-related Waiver

In relation to the Operating Agreement and the Service Concession Agreement, pursuant to paragraph A of the Merger-related Waiver, the Stock Exchange granted a waiver to the Company from strict compliance with all the continuing connected transaction requirements of Chapter 14A of the Listing Rules.

CAPITAL AND OPERATING EXPENDITURE

There are defined procedures for the appraisal, review and approval of major capital and operating expenditure. During the year ended 31 December 2023, the employment of consultancy services over 0.1% of the net assets of the Group and other capital and operating expenditure over 0.3% of the net assets of the Group required the approval of the Board.

REPORTING AND MONITORING

There is a comprehensive budgeting system for all operational and business activities, with an annual budget approved by the Board. Monthly results of the Group's operations, businesses and projects are reported against the budget to the Board and updated forecasts for the year are prepared regularly.

TREASURY MANAGEMENT

The Company's Treasury Department operates within approved guidelines from the Board. It manages the Company's debt portfolio with reference to the Preferred Financing Model which defines the preferred mix of financing instruments, fixed and floating rate debt, maturities, interest rate risks, currency exposure and financing horizon. The model is reviewed and refined periodically to reflect changes in the Company's financing requirements and the market environment. Derivative financial instruments such as interest rate swaps and cross currency swaps are used only as hedging tools to manage the Group's exposure to interest rate and currency risks. Prudent guidelines and procedures are in place to control the Company's derivatives activities, including a comprehensive credit risk management system for monitoring counterparty credit exposure using the Value-at-Risk approach. There is also appropriate segregation of duties within the Company's Treasury Department.

Major financing transactions and guidelines for derivatives transactions, including the credit risk management framework, are approved at the Board level.

COMPUTER PROCESSING

There are defined procedures, controls and regular quality reviews on the operation of computer systems to ensure the accuracy and completeness of financial records and efficiency of data processing. The Company's computer centre operation and support, help desk operation and support services, and also software development and maintenance, have been certified under ISO 9001:2015. Disaster recovery rehearsal on critical applications is conducted annually. For cyber security, the Company has been certified with ISO 27001:2013 on the Information Security Management System that complies with the required standard for the comprehensive scope of IT services operation. The Innovation and Technology Executive Management Committee sets the direction, policies and strategy, and cultivates best practices on innovation and technology ("I&T") and cyber security for the Company. It steers and oversees the management and performance of all matters relating to I&T initiatives and cyber security. Various security controls have been implemented and are reviewed regularly to protect the Company from cyber-attacks.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the statutes, the Company will indemnify every Director of the Company out of its own assets against any liability incurred by him/her in the execution of his/her office in defending any civil or criminal proceedings. The relevant Article was in force during the year ended 31 December 2023 and on 7 March 2024 when this Report was approved. To ensure sufficient coverage is provided, the Company undertakes an annual review of the Directors' and Officers' liability insurance policy of the Company (the "D&O Insurance Policy") in light of recent trends in the insurance market and other relevant factors. The D&O Insurance Policy also indemnifies the other directors within the Group.

GOING CONCERN

The Consolidated Financial Statements on pages 203 to 290 have been prepared on a going concern basis. The Board has reviewed the Group's budget for 2024, together with the longer-term forecast for the following five years and is satisfied that the Group has sufficient resources to continue as a going concern for the foreseeable future.

AUDITORS

The retiring auditors, KPMG, have signified their willingness to continue in office. A resolution will be proposed at the forthcoming AGM to reappoint them and to authorise the Board of Directors to fix their remuneration.

For and on behalf of the Board

Gillian Elizabeth Meller
Company Secretary
Hong Kong, 7 March 2024

DIRECTORS OF SUBSIDIARY UNDERTAKINGS

The directors of the subsidiary undertakings of the Company during the year and up to the date of this Report (unless otherwise stated) are listed below:

Name	Director	Alternate Director
Altamirano Celis, Sandra Elena	√	
Astrand, Anna Caroline	√	
Dr Auyeung Pak-kuen, Rex	√	
Bagshaw, Michael David	√	
Bailie, William Paul	√	
Butcher, Stephen Anthony		√
Chan Chi-hung	√	
Chan Chun-pan	√	
Chan Hing-keung	√	
Chan Ting-bond, Michael	√	
Chan Wai-man, Raymond	√(Resigned)	
Dr Chan Yuen Tak-fai, Dorothy	√	
Cheng Wai-ching, Margaret	√	
Cheng Yan-kee	√	
Cheng Yiu-lam, Elaine	√	
Chim Edwin	√	√
Chiu Man	√	
Chow Chun-ling	√	
Choy Yiu-fai, Lawrence		√
Chu Fung-kuen, Margaret	√	
Collis, Charles Grant Ross	√	
Dalin, Bengt Carl Harald Henrik	√(Resigned)	
Damm, Bo Fredrik	√(Resigned)	
Downie, Brian Francis	√	√
Fitzgerald, Michael George	√	
Fu Oi-yu	√	
Fung Ching-ting, Teresa	√	
Hellners, Karl Erik Hjalmar	√	
Herrmann, Lena Christina	√	
Ho Ka-wa	√	
Holness, Nigel Graham	√(Resigned)	
Hui Chun-sing, Thomas	√	
Hui Leung-wah, Herbert	√(Resigned)	
Jia Jun	√	
Jim Kwok-wah	√	√
Jones, Niel Leonard		√(Ceased)
Jubian, Albert	√	√
Dr Kam Chak-pui, Jacob	√	
Kenny, Michael John		√
Kershaw, Phillip John	√	√
Kiang Yee-wing	√	
King, Andrew Lewis	√	
Kong Yuk-foon, Doreen		√(Ceased)
Kwok Lai-kay, Lena	√	√
Kwong Chung-hing		√(Ceased)
Lai Ching-kai		√(Ceased)
Lai Kai-shing	√	
Lam Ting-chung, Wilfred	√	
Lau Kwai-hin, Kenneth	√	

Name	Director	Alternate Director
Lau Pak-wai		√
Lau Tin-shing, Adi	√	
Lau Wai-ming	√	
Dr Lee Kar-yun, Tony	√	
Lee Wai-kwong, Sunny	√	
Lee Yuen-ling	√	
Leung Tai-chiu, Herbert	√	
Leung Yiu-fai, David	√(Resigned)	
Lung Tze-ho	√	√
McCusker, Andrew	√	
Meller, Gillian Elizabeth	√	
Meyer, Peter	√	
Moros, Tony Antonio	√	
Munro, Peter James		√
Murphy, Stephen John	√	
Ng Isaac	√	
Ng Lup-nung, Leo	√	
Ng Yuen-fan, Hannah		√
Nyas, Jesper Karl Pontus	√	
O'Flaherty, Raymond Anthony	√	
Ortner, Ruben Daniel Johannes	√(Resigned)	
Pang Hoi-hing	√	
Poon Kai-chung	√	
Quarrie, Ian Roger	√	√
Restrepo Suarez, Soraya		√(Ceased)
Rostaminegad, Paul Nader	√	
Tam Ka-yee, Irene	√	
Tam Lup-kwan	√(Resigned)	√(Ceased)
Tang Chi-fai, David	√	
Tse Fuk-sum, Winson	√	
Tse Kwan-yu	√	
Wan Wai-yin	√	
Wang Chao	√	
Wang Ying	√	
Wei Li-ping	√(Resigned)	
Wei Yan	√	
Williams Daniel	√	
Wong Daniel	√(Resigned)	
Wong Kin-wai	√(Resigned)	
Wong Kwan-wai, Sammy	√	
Wong Wing-kin	√	
Xia Jing	√	
Xu Muhan	√	
Yam Pak-nin	√	√
Yeung Mei-chun, Jeny	√	
Yip Chun-to	√	
Young Ka-fan, Glen		√(Ceased)
Yuen Lai-ki	√	
Yuen Lap-hang	√	
Zhang Ling	√	

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KPMG

Independent auditor's report to the members of MTR Corporation Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of MTR Corporation Limited ("the Company") and its subsidiaries ("the Group") set out on pages 203 to 290, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Railway construction projects under entrustment by the HKSAR Government

Refer to note 22 to the consolidated financial statements and the accounting policies in note 2X

The Key Audit Matter	How the matter was addressed in our audit
The Group and the Government of the Hong Kong Special Administrative Region ("HKSAR Government") have entered into certain entrustment arrangements whereby the Group has been entrusted by the HKSAR Government to proceed with the planning, design, construction, testing and commissioning of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("the HSR") and the Shatin to Central Link ("the SCL"). As the HKSAR Government is the owner of both the HSR and the SCL, the financing of the development of these two railway lines is borne by the HKSAR Government, with project management fees payable to the Group. **HSR** Pursuant to an agreement entered into with the HKSAR Government on 30 November 2015, the Group will bear and finance project costs for the HSR (including the Group's project management fees) which exceed HK$84.42 billion and the HKSAR Government reserves the right to refer to arbitration the question of the Group's liability, if any, in respect of the project costs borne and financed by the HKSAR Government which exceed HK$65 billion up to HK$84.42 billion. In the event that the Group is found to be liable under the relevant HSR entrustment agreements, the Group's liability for such costs is currently limited to the amount of the project management fees and certain other additional fees received by the Group under the agreements. In September 2018, construction of the HSR was completed following which commercial operations commenced. Based on the information available including the progress of finalising construction contracts, management does not currently believe there is any need to revise further the total project costs of HK$84.42 billion. No provision for project costs has been made in this respect.	Our audit procedures in relation to railway construction projects under entrustment by the HKSAR Government included the following: • inspecting the minutes of the relevant committees of the Group and discussing with management the current status of the HSR and SCL projects, including the forecast total project costs, assessment of contract claims, estimate of further internal costs to be incurred and the assessment of the financial implications of the projects for the Group; • assessing the design and implementation of management's key internal controls over the project cost assessment; • comparing, on a sample basis, costs incurred during the current year in respect of the HSR and SCL with underlying contracts and interim or final payment certificates; • assessing the provisions made for the Hung Hom Incidents Related Costs and Project Management Costs by inspecting, on a sample basis, the relevant underlying documentation and, where applicable, the actual amounts incurred during the year;

Railway construction projects under entrustment by the HKSAR Government *(continued)*	
Refer to note 22 to the consolidated financial statements and the accounting policies in note 2X *(continued)*	
The Key Audit Matter	**How the matter was addressed in our audit**
SCL Towards the end of the first half of 2018, there were allegations concerning workmanship in relation to the Hung Hom Station extension. Subsequently, the Group advised the HKSAR Government of an insufficiency of construction records and certain construction issues at the Hung Hom North Approach Tunnel, the South Approach Tunnel and the Hung Hom Stabling Sidings. A commission of enquiry ("COI") was set up by the HKSAR Government to investigate, inter-alia, certain construction works at the Hung Hom station extension. A redacted final report from the COI was published in May 2020, in which the COI determined that it is satisfied that, with suitable measures completed, the relevant structures will be safe and fit for purpose. The management considered that the suitable measures for the relevant structures have been completed. The Group announced that it would fund, on an interim and without prejudice basis, certain costs arising from the Hung Hom incidents and certain costs associated with the phased opening of the Tuen Ma Line ("Hung Hom Incidents Related Costs"), which were estimated to be around HK$2 billion in aggregate, and has charged the full amount of such estimate in its consolidated statement of profit or loss for the year ended 31 December 2019. In February 2020, the Group notified the HKSAR Government of the latest estimate of the cost to complete the SCL Project of HK$82,999 million including the additional project management fee payable to the Group of HK$1,371 million, which increased from the original estimate of HK$70,827 million. In June 2020, the Legislative Council approved additional funding amounting to HK$10,801 million sought by the HKSAR Government, which excludes the Hung Hom Incidents Related Costs and the additional project management fee for the Group, and the HKSAR Government has maintained its position of disagreement to any increase in the project management fee. The Group has announced that it would continue to meet, on an interim and without prejudice basis, the costs of complying with its project management obligations under the entrustment agreements, which were estimated to be around HK$1,371 million ("Project Management Costs"), and has charged the full amount of such estimate in its consolidated statement of profit or loss for the year ended 31 December 2020. In May 2022, construction of the SCL was completed following which commercial operations commenced. The above matters are ongoing and the timing of their ultimate resolution and any further financial impact to the Group are highly uncertain at this stage. In the event that the Group is found to be liable under the entrustment agreements, the Group's liability is currently limited to a cap equal to the aggregate fees received by the Group under the relevant SCL agreements. However, such cap could not be relied upon if the Group were, in accordance with general principles of law, found to be liable for any loss that had been caused by the fraudulent or other dishonest conduct of its employees or agents. We identified railway construction projects under entrustment by the HKSAR Government as a key audit matter because the arrangements in respect of these railway projects are highly complex and convey rights and obligations on the Group which could potentially have significant financial implications for the Group.	• holding discussions with management and the Group's external legal advisors to assess the Group's legal obligations and financial exposure in connection with the HSR and SCL projects; and • assessing the disclosures in the consolidated financial statements in relation to the HSR and SCL projects with reference to the requirements of the prevailing accounting standards.

Valuation of investment properties ("IP")	
Refer to note 20A to the consolidated financial statements and the accounting policies in note 2E(i)	
The Key Audit Matter	**How the matter was addressed in our audit**
The fair value of the Group's IP as at 31 December 2023 was HK$98,205 million, with a gain from fair value remeasurement for the year ended 31 December 2023 recorded in the consolidated statement of profit or loss of HK$26 million. The Group's IP, which are mainly located in Hong Kong, principally comprise shopping malls and office premises. The fair values of the Group's IP were assessed by external property valuers based on independent valuations. We identified valuation of the Group's IP as a key audit matter because of the significance of IP to the consolidated financial statements and because the determination of the fair values involves significant judgement and estimation, particularly in selecting the appropriate valuation methodology, market yields and market rents.	Our audit procedures to assess the valuation of the Group's IP included the following: • obtaining and inspecting the IP valuation reports prepared by the external property valuers; • evaluating the independence, qualifications, expertise and objectivity of the external property valuers; • evaluating the valuation methodologies adopted with reference to prevailing accounting standards and those applied by other external property valuers for similar property types; • holding discussions with management and the external property valuers and challenging the key assumptions and estimates adopted in the valuations, including prevailing market rents and market yields applied by comparing, on a sample basis, the key estimates adopted with comparable available market data; and • comparing the tenancy information, including occupancy status and market rents, provided by the Group to the external property valuers with underlying contracts and documentation, on a sample basis.

Assessing impairment of fixed assets other than assets carried at revalued amounts	
Refer to notes 20B and 21 to the consolidated financial statements and the accounting policies in note 2G(ii)	
The Key Audit Matter	**How the matter was addressed in our audit**
The carrying value of the Group's fixed assets other than assets carried at revalued amounts as at 31 December 2023 totalled HK$136,908 million and the related depreciation and amortisation charge for the year ended 31 December 2023 amounted to HK$5,952 million. The carrying values of these assets are reviewed annually by management for potential indicators of impairment. For assets where such indicators exist, management performs detailed impairment reviews, taking into account, inter alia, the impact of revenue assumptions and technical factors which may affect the expected remaining useful lives and carrying value of the assets. **Shenzhen Metro Line 4 ("SZL4")** In July 2020, the Shenzhen Municipal Government announced that a fare adjustment framework for the Shenzhen Metro network would come into effect on 1 January 2021. The framework was expected to enable the establishment of a mechanism for fare setting and the implementation procedures for fare adjustments. Up to 31 December 2022, there has been no increase in SZL4's fare since the operations started in 2010 whilst the operating costs continue to rise. The Group anticipated that the mechanism and procedures for fare adjustments will take longer time to implement and patronage will remain at a lower level for a period of time. Based on the impairment assessment performed by management, impairment losses of HK$962 million were recognised on fixed assets for the year ended 31 December 2022 related to the SZL4's service concession assets. As at 31 December 2023, the Group has performed a further impairment review and did not identify any indication of additional impairment or reversal of impairment previously made, based on the latest assumption regarding the first fare increment. We identified the assessment of impairment of fixed assets other than assets carried at revalued amounts as a key audit matter because the assessment can involve a significant degree of management judgement in determining the key assumptions such as expected revenue levels.	Our audit procedures to assess the impairment of fixed assets other than assets carried at revalued amounts included the following: • discussing indicators of impairment on fixed assets with management, and where such indicators were identified, evaluating management's impairment assessments and the assumptions adopted therein, including patronage and fare assumptions, with reference to the actual patronage levels achieved in the current year, latest developments of fare adjustment mechanism and implementation procedures, future operating plans and broader city specific developments; • involving our internal valuation specialists to assess the methodology and significant assumptions including discount rates adopted by management in its impairment assessment for SZL4; • comparing the assumptions adopted in the prior year's impairment assessments with actual results for the current year, investigating significant variances identified and considering the impact on the current year's impairment assessments; and • performing sensitivity analyses for the discount rates applied and the assumptions for revenue levels adopted and considering the information used to derive the most sensitive assumptions and whether there were any indicators of management bias in their selection.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit & Risk Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit & Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Sze Kit Roy.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

7 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December in HK$ million	Note	2023	2022
Revenue from Hong Kong transport operations	4	**20,131**	13,404
Revenue from Hong Kong station commercial businesses	5	**5,117**	3,077
Revenue from Hong Kong property rental and management businesses	6	**5,079**	4,779
Revenue from Mainland China and international railway, property rental and management subsidiaries	7	**25,955**	26,016
Revenue from other businesses	8	**700**	363
		56,982	47,639
Revenue from Mainland China property development	7	**–**	173
Total revenue		**56,982**	47,812
Expenses relating to Hong Kong transport operations			
– Staff costs and related expenses	10A	**(6,917)**	(6,341)
– Maintenance and related works		**(2,387)**	(2,221)
– Energy and utilities		**(2,427)**	(1,991)
– General and administration expenses		**(940)**	(878)
– Stores and spares consumed		**(605)**	(636)
– Railway support services		**(375)**	(186)
– Government rent and rates		**(155)**	(155)
– Other expenses		**(371)**	(305)
		(14,177)	(12,713)
Expenses relating to Hong Kong station commercial businesses		**(560)**	(522)
Expenses relating to Hong Kong property rental and management businesses		**(1,063)**	(964)
Expenses relating to Mainland China and international railway, property rental and management subsidiaries	7	**(24,883)**	(24,751)
Expenses relating to other businesses		**(579)**	(511)
Project study and business development expenses		**(397)**	(326)
		(41,659)	(39,787)
Expenses relating to Mainland China property development	7	**(13)**	(114)
Operating expenses before depreciation, amortisation and variable annual payment	10	**(41,672)**	(39,901)
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment			
– Arising from recurrent businesses		**15,323**	7,852
– Arising from Mainland China property development		**(13)**	59
		15,310	7,911
Hong Kong property development profit from share of surplus, income and interest in unsold properties	12	**2,329**	11,589
Gain/(loss) from fair value measurement of investment properties	13	**1,386**	(810)
Operating profit before depreciation, amortisation and variable annual payment		**19,025**	18,690
Depreciation and amortisation	14	**(6,105)**	(5,769)
Provisions for onerous contracts and impairment loss	7 & 21B	**(1,022)**	(962)
Variable annual payment		**(2,355)**	(323)
Share of profit of associates and joint ventures	27	**1,259**	1,095
Profit before interest, finance charges and taxation		**10,802**	12,731
Interest and finance charges	15	**(1,139)**	(982)
Profit before taxation		**9,663**	11,749
Income tax	16	**(1,575)**	(1,608)
Profit for the year		**8,088**	10,141
Attributable to:			
– Shareholders of the Company		**7,784**	9,827
– Non-controlling interests		**304**	314
Profit for the year		**8,088**	10,141
Profit/(loss) for the year attributable to shareholders of the Company:	9		
– Arising from recurrent businesses			
– in Hong Kong		**4,940**	384
– outside Hong Kong		**(659)**	(227)
		4,281	157
– Arising from property development			
– in Hong Kong		**2,035**	10,413
– outside Hong Kong		**48**	67
		2,083	10,480
– Arising from underlying businesses		**6,364**	10,637
– Arising from fair value measurement of investment properties		**1,420**	(810)
		7,784	9,827
Earnings per share:	18		
– Basic		**HK$1.26**	HK$1.59
– Diluted		**HK$1.25**	HK$1.59

The notes on pages 208 to 290 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December in HK$ million	Note	**2023**	2022
Profit for the year		**8,088**	10,141
Other comprehensive income/(loss) for the year (after taxation and reclassification adjustments):	19		
Items that will not be reclassified to profit or loss:			
– Surplus on revaluation of self-occupied buildings		**24**	43
– Remeasurement of net asset/liability of defined benefit schemes		**(194)**	(117)
		(170)	(74)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of:			
– financial statements of subsidiaries, associates and joint ventures outside Hong Kong		**(378)**	(1,713)
– non-controlling interests		**26**	(11)
– Cash flow hedges: net movement in hedging reserve		**(608)**	82
		(960)	(1,642)
		(1,130)	(1,716)
Total comprehensive income for the year		**6,958**	8,425
Attributable to:			
– Shareholders of the Company		**6,628**	8,122
– Non-controlling interests		**330**	303
Total comprehensive income for the year		**6,958**	8,425

The notes on pages 208 to 290 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in HK$ million	Note	**At 31 December 2023**	At 31 December 2022
Assets			
Fixed assets			
– Investment properties	20A	**98,205**	91,671
– Other property, plant and equipment	20B	**103,721**	102,297
– Service concession assets	21	**36,710**	35,523
		238,636	229,491
Goodwill and property management rights		**10**	61
Railway construction in progress	23	**4,256**	–
Property development in progress	24A	**41,728**	41,269
Deferred expenditure	25	**378**	2,540
Interests in associates and joint ventures	27	**12,785**	12,338
Deferred tax assets	40B	**603**	606
Investments in securities	28	**862**	959
Properties held for sale	29	**1,939**	1,888
Derivative financial assets	30	**240**	216
Stores and spares	31	**2,557**	2,261
Debtors and other receivables	32	**13,756**	13,889
Amounts due from related parties	33	**5,802**	5,429
Cash, bank balances and deposits	34	**22,375**	16,134
Assets of disposal group classified as held for sale	49	**499**	–
		346,426	327,081
Liabilities			
Short-term loans	35A	**1,379**	1,592
Creditors, other payables and provisions	36	**76,682**	69,692
Current taxation	40A	**1,623**	2,953
Amounts due to related parties	37	**2,614**	592
Loans and other obligations	35A	**58,112**	46,254
Obligations under service concession	38	**10,059**	10,142
Derivative financial liabilities	30	**1,710**	1,104
Loans from holders of non-controlling interests	39	**141**	140
Deferred tax liabilities	40B	**15,151**	14,700
Liabilities of disposal group classified as held for sale	49	**99**	–
		167,570	147,169
Net assets		**178,856**	179,912
Capital and reserves	41		
Share capital		**61,083**	60,547
Shares held for Executive Share Incentive Scheme		**(269)**	(262)
Other reserves		**117,530**	119,001
Total equity attributable to shareholders of the Company		**178,344**	179,286
Non-controlling interests		**512**	626
Total equity		**178,856**	179,912

Approved and authorised for issue by the Members of the Board on 7 March 2024

Rex P K Auyeung
Chairman

Jacob C P Kam
Chief Executive Officer

Michael G Fitzgerald
Finance Director

The notes on pages 208 to 290 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December in HK$ million	Note	Share capital	Shares held for Executive Share Incentive Scheme	Other reserves: Fixed assets revaluation reserve	Other reserves: Hedging reserve	Other reserves: Employee share-based capital reserve	Other reserves: Exchange reserve	Retained profits	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
2023											
Balance as at 1 January 2023		**60,547**	**(262)**	**3,824**	**87**	**146**	**(1,284)**	**116,228**	**179,286**	**626**	**179,912**
Changes in equity for the year ended 31 December 2023:											
– Profit for the year		–	–	–	–	–	–	**7,784**	**7,784**	**304**	**8,088**
– Other comprehensive income/(loss) for the year	19	–	–	**24**	**(608)**	–	**(378)**	**(194)**	**(1,156)**	**26**	**(1,130)**
– Total comprehensive income/(loss) for the year		–	–	**24**	**(608)**	–	**(378)**	**7,590**	**6,628**	**330**	**6,958**
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	**(1)**	–	–	–	**(1)**	–	**(1)**
– 2022 final ordinary dividend	17	–	–	–	–	–	–	**(5,520)**	**(5,520)**	–	**(5,520)**
– Shares issued in respect of scrip dividend of 2022 final ordinary dividend	41A	**438**	**(2)**	–	–	–	–	**2**	**438**	–	**438**
– 2023 interim ordinary dividend	17	–	–	–	–	–	–	**(2,610)**	**(2,610)**	–	**(2,610)**
– Shares issued in respect of scrip dividend of 2023 interim ordinary dividend	41A	**97**	–	–	–	–	–	–	**97**	–	**97**
– Shares purchased for Executive Share Incentive Scheme	41B	–	**(93)**	–	–	–	–	–	**(93)**	–	**(93)**
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	41B	**1**	**88**	–	–	**(87)**	–	**(2)**	–	–	–
– Employee share-based payments		–	–	–	–	**119**	–	–	**119**	–	**119**
– Equity contributions from holders of non-controlling interests		–	–	–	–	–	–	–	–	**125**	**125**
– Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	–	**(569)**	**(569)**
Balance as at 31 December 2023		**61,083**	**(269)**	**3,848**	**(522)**	**178**	**(1,662)**	**115,688**	**178,344**	**512**	**178,856**
2022											
Balance as at 1 January 2022		60,184	(245)	3,781	2	124	429	115,439	179,714	323	180,037
Changes in equity for the year ended 31 December 2022:											
– Profit for the year		–	–	–	–	–	–	9,827	9,827	314	10,141
– Other comprehensive income/(loss) for the year	19	–	–	43	82	–	(1,713)	(117)	(1,705)	(11)	(1,716)
– Total comprehensive income/(loss) for the year		–	–	43	82	–	(1,713)	9,710	8,122	303	8,425
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	3	–	–	–	3	–	3
– 2021 final ordinary dividend	17	–	–	–	–	–	–	(6,317)	(6,317)	–	(6,317)
– Shares issued in respect of scrip dividend of 2021 final ordinary dividend	41A	246	(2)	–	–	–	–	2	246	–	246
– 2022 interim ordinary dividend	17	–	–	–	–	–	–	(2,604)	(2,604)	–	(2,604)
– Shares issued in respect of scrip dividend of 2022 interim ordinary dividend	41A	113	(1)	–	–	–	–	1	113	–	113
– Shares purchased for Executive Share Incentive Scheme	41B	–	(109)	–	–	–	–	–	(109)	–	(109)
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	41B	4	95	–	–	(96)	–	(3)	–	–	–
– Employee share-based payments		–	–	–	–	118	–	–	118	–	118
Balance as at 31 December 2022		60,547	(262)	3,824	87	146	(1,284)	116,228	179,286	626	179,912

The notes on pages 208 to 290 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December in HK$ million	Note	**2023**		2022	
Cash flows from operating activities					
Cash generated from operations	42	**13,471**		7,830	
Purchase of tax reserve certificates		**(57)**		(57)	
Current tax paid					
– Hong Kong Profits Tax paid		**(1,975)**		(506)	
– Tax paid outside Hong Kong		**(242)**		(510)	
Net cash generated from operating activities			**11,197**		6,757
Cash flows from investing activities					
Capital expenditure					
– Purchase of assets for Hong Kong transport and related operations		**(8,463)**		(7,370)	
– Hong Kong railway extension projects		**(2,309)**		(1,465)	
– Investment property projects and fitting out work		**(1,250)**		(769)	
– Shenzhen Metro Line 13 project		**(429)**		(956)	
– Other capital projects		**(125)**		(248)	
		(12,576)		(10,808)	
Fixed and variable annual payments		**(1,073)**		(1,010)	
Receipts in respect of property development		**7,109**		14,162	
Payments in respect of property development		**(1,007)**		(9,245)	
(Increase)/decrease in bank deposits with more than three months to maturity when placed or pledged, and structured bank deposits		**(907)**		4,325	
Dividends received from associates		**577**		351	
Investments in associates and joint ventures		**(52)**		(431)	
Redemption of investments in securities		**203**		556	
Others		**2**		113	
Net cash used in investing activities			**(7,724)**		(1,987)
Cash flows from financing activities					
Purchase of shares for Executive Share Incentive Scheme		**(93)**		(109)	
Proceeds from loans and capital market instruments		**74,057**		41,646	
Repayment of loans and capital market instruments		**(62,179)**		(36,729)	
Interest and finance charges paid		**(1,869)**		(961)	
Interest received		**563**		293	
Capital element of lease rentals paid		**(567)**		(149)	
Equity contributions from holders of non-controlling interests		**125**		–	
Dividends paid to shareholders of the Company		**(7,595)**		(8,562)	
Dividends paid to holders of non-controlling interests		**(569)**		–	
Net cash generated from/(used in) financing activities			**1,873**		(4,571)
Net increase in cash and cash equivalents			**5,346**		199
Cash and cash equivalents at 1 January			**10,241**		10,752
Effect of exchange rate changes			**82**		(710)
Cash and cash equivalents reclassified as disposal group held for sale	49		**(94)**		–
Cash and cash equivalents at 31 December	34		**15,575**		10,241

The notes on pages 208 to 290 form part of the consolidated financial statements.

1 Statement of Compliance

These financial statements have been prepared in compliance with the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements have also been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The HKFRSs are fully converged with International Financial Reporting Standards in all material respects. Material accounting policies adopted by the Group is set out in note 2.

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2023. Changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group are disclosed in note 2A(iii)(a). The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 52).

2 Material Accounting Policies

A Basis of Preparation of the Consolidated Financial Statements

(i) The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties (note 2E(i));
- self-occupied buildings (note 2E(ii));
- investments in securities (note 2M); and
- derivative financial instruments (note 2T).

(ii) The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements and estimations about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates are discussed in note 51.

(iii) Changes in Accounting Policies

(a) Amended HKFRSs

The impacts of adopting certain amended HKFRSs that are relevant to the Group are discussed below. None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this annual report.

Amendments to HKAS 1, *Presentation of Financial Statements* and HKFRS Practice Statement 2, *Making Materiality Judgements: Disclosure of Accounting Policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and removed certain immaterial accounting policies.

Amendments to HKAS 12, *Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in note 40B, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

2 Material Accounting Policies *(continued)*

A Basis of Preparation of the Consolidated Financial Statements *(continued)*

Amendments to HKAS 12, *Income Taxes: International Tax Reform – Pillar Two Model Rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The Group provided the additional disclosures in note 16C.

(b) New HKICPA Guidance on the Accounting Implications of the Abolition of the MPF-LSP Offsetting Mechanism

In June 2022, the Government of the Hong Kong Special Administrative Region (the "HKSAR Government" or "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19, *Employee Benefits*, that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its long service payment liability and has applied the above HKICPA guidance. This has no material impact on the Group's results and financial position for the prior periods, and the Group recognised total charges of HK$21 million in the consolidated statement of profit or loss for the year ended 31 December 2023.

B Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures (note 2D) made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from or to the date of their acquisition or disposal, as appropriate.

C Subsidiaries and Non-controlling Interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group or other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the consolidated statement of profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (note 2D).

Investments in subsidiaries are carried in the Company's statement of financial position at cost less any impairment losses (note 2G(ii)).

2 Material Accounting Policies *(continued)*

D Associates and Joint Ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements of the Group using the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investees' net assets and any impairment loss relating to the investment (note 2G(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. The Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year is recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses equals or exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the investee is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit losses ("ECL") model to such other long-term interests where applicable (note 2G(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated statement of profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (note 2G(ii)).

E Fixed Assets

(i) Investment Properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include properties that are being constructed or developed for future use as investment properties.

Investment properties are stated at fair value as measured semi-annually by independent professionally qualified valuers. Gains or losses arising from changes in the fair value are recognised in the consolidated statement of profit or loss in the period in which they arise.

(ii) Other Property, Plant and Equipment

Leasehold land registered and located in the Hong Kong Special Administrative Region is stated at cost less accumulated depreciation and impairment losses (notes 2H and 2G(ii)). Self-occupied leasehold buildings where the Group is the registered owner of the property interest are stated at their fair value at the date of revaluation less any subsequent accumulated depreciation (note 2H). Revaluations are performed by independent professionally qualified valuers semi-annually, with changes in the fair value arising on revaluations recorded as movements in the fixed assets revaluation reserve, except:

(a) where the balance of the fixed assets revaluation reserve relating to a self-occupied leasehold building is insufficient to cover a revaluation deficit of that property, the excess of the deficit is charged to the consolidated statement of profit or loss; and

(b) where a revaluation deficit had previously been charged to the consolidated statement of profit or loss and a revaluation surplus subsequently arises, this surplus is firstly credited to the consolidated statement of profit or loss to the extent of the deficit previously charged to the consolidated statement of profit or loss, and thereafter taken to the fixed assets revaluation reserve.

Civil works and plant and equipment, including right-of-use assets arising from freehold or leasehold properties where the Group is not the registered owner of the property interest, and right-of-use assets arising from leases of underlying plant and equipment are stated at cost less accumulated depreciation and impairment losses (notes 2H and 2G(ii)).

2 Material Accounting Policies *(continued)*

E Fixed Assets *(continued)*

Assets under construction include capital works on operating railway and are stated at cost less impairment losses (note 2G(ii)). Cost comprises direct costs of construction, such as materials, staff costs and overheads, together with interest expense capitalised during the period of construction or installation and testing. The cost of abnormal amounts of wasted material, labour, or other resources incurred is not included in the costs of the asset and charged as an expense in the consolidated statement of profit or loss when incurred. Capitalisation of these costs ceases and the asset concerned is transferred to the appropriate fixed assets category when substantially all the activities necessary to prepare the asset for its intended use are completed.

In the event any assets under construction are no longer held for use and it is not probable that future economic benefits associated with these assets will flow to the Group, the associated cost capitalised by then will be charged to profit or loss in the reporting period when such conditions met.

(iii) Service Concession Assets

Where the Group enters into service concession arrangements under which the Group acquires the right to access, use and operate certain assets for the provision of public services, upfront payments and expenditure directly attributable to the acquisition of the service concession up to inception of the service concession are capitalised as service concession assets and amortised on a straight-line basis over the period of the service concession. Annual payments over the period of the service concession with the amounts fixed at inception are capitalised at their present value, calculated using the incremental long term borrowing rate determined at inception as the discount rate, as service concession assets and amortised on a straight-line basis over the period of the service concession, with a corresponding liability recognised as obligations under service concession. Annual payments for the service concession which are not fixed or determinable at inception and are contingent on future revenue are charged to the consolidated statement of profit or loss in the period when incurred.

Where the Group enters into service concession arrangements under which the Group constructs, uses and operates certain assets for the provision of public services, construction revenue and costs are recognised in the consolidated statement of profit or loss by reference to the stage of completion at the end of the reporting period while the fair value of construction service is capitalised initially as service concession assets in the consolidated statement of financial position and amortised on a straight-line basis over the shorter of the assets' useful lives and the period in which the service concession assets are expected to be available for use by the Group.

Expenditure for assets subject to service concession is capitalised and amortised on a straight-line basis at rates sufficient to write off their cost less their estimated residual value, if any, over the shorter of the assets' useful lives and the remaining period in which the service concession assets are expected to be available for use by the Group.

Service concession assets are carried at cost less accumulated amortisation and impairment losses, if any (notes 2H and 2G(ii)).

(iv) Subsequent Expenditure and Gains or Losses on Retirement or Disposal

Subsequent expenditure relating to the replacement and/or upgrade of certain parts of an existing asset is recognised in the carrying amount of the asset if it is probable that future economic benefit will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised, with any gain or loss arising therefrom being dealt with in the consolidated statement of profit or loss.

Expenditure on repairs or maintenance of an existing asset to restore or maintain the originally assessed standard of performance of that asset is charged as an expense in the consolidated statement of profit or loss when incurred.

Gains or losses arising from the retirement or disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such gains or losses are recognised as income or expense in the consolidated statement of profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the fixed assets revaluation reserve to retained profits and is not re-classified to consolidated statement of profit or loss.

2 Material Accounting Policies *(continued)*

F Leased Assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a Lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (notes 2H and 2G(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2E(i);
- right-of-use assets related to self-occupied leasehold buildings where the Group is the registered owner of the leasehold interest are carried at fair value in accordance with note 2E(ii); and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 2L.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") and that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2Y(ii).

G Impairment of Assets

(i) Credit Losses from Financial Instruments, Contract Assets and Lease Receivables

For the Group's trade receivables, contract assets and lease receivables, the Group recognises a loss allowance for ECL which is measured at an amount equal to "lifetime ECLs" (which are the losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies). For the Group's other financial assets measured at amortised cost, the loss allowance is measured at an amount equal to "12-month ECLs" (which are losses that are expected to result from possible default events within the 12 months after the reporting date) unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to "lifetime ECLs". Financial assets measured at fair value are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 Material Accounting Policies *(continued)*

G Impairment of Assets *(continued)*

(ii) Impairment of Other Assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (including right-of-use assets and service concession assets but other than assets carried at revalued amounts);
- property management rights;
- goodwill;
- railway construction in progress;
- deferred expenditure; and
- investments in subsidiaries, associates and joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount for goodwill is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount of the asset. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of profit or loss in the year in which the reversals are recognised.

H Depreciation and Amortisation

(i) Investment properties are not depreciated.

(ii) Fixed assets other than investment properties (note 2E(i)), assets under construction (note 2H(iii)) and service concession assets which are amortised over the entire or remaining period of the service concession (note 2E(iii)) are depreciated or amortised on a straight-line basis at rates sufficient to write off their cost or valuation, less their estimated residual value, if any, over their estimated useful lives as follows:

- Land and Buildings

Self-occupied buildings	the shorter of 50 years and the unexpired term of the lease
Leasehold land	the unexpired term of the lease

- Civil Works

Excavation and boring	Indefinite
Tunnel linings, underground civil structures, overhead structures and immersed tubes	100 years
Station building structures	100 years
Depot structures	80 years
Kiosk structures	20 – 30 years
Cableway station tower and theme village structures	27 – 30 years

2 Material Accounting Policies *(continued)*

H Depreciation and Amortisation *(continued)*

- Plant and Equipment

Rolling stock and components	3 – 42 years
Platform screen doors	10 – 35 years
Rail track	15 – 50 years
Environmental control systems, lifts and escalators, fire protection and drainage system	5 – 45 years
Power supply systems	5 – 40 years
Aerial ropeway and cabin	10 – 27 years
Automatic fare collection systems, metal station kiosks, and other mechanical equipment	9 – 25 years
Train control and signalling equipment, station announcement systems, telecommunication systems and advertising panels	5 – 35 years
Station architectural finishes	20 – 30 years
Fixtures and fittings	10 – 25 years
Maintenance equipment	10 – 40 years
Office furniture and equipment	5 – 15 years
Computer software licences and applications	5 – 10 years
Computer equipment	3 – 5 years
Cleaning equipment and tools	5 years
Motor vehicles	5 – 12 years

Where parts of an item of property, plant and equipment have different useful lives, each part is depreciated or amortised separately. The useful lives of the various categories of fixed assets are reviewed annually in the light of actual asset condition, usage experience and the current asset replacement programme.

(iii) No depreciation or amortisation is provided on assets under construction until the construction is completed and the assets are ready for their intended use.

I Construction Costs of Railway Construction Projects

(i) Costs incurred by the Group in respect of proposed railway related construction projects (including consultancy fees, in-house staff costs and overheads) are dealt with as follows:

- where the proposed projects are at a preliminary review stage and are not yet considered probable of materialising, the costs concerned are charged to the consolidated statement of profit or loss; and
- where the proposed projects are at a detailed study stage, having been supported by a feasible financial plan, the costs concerned are recorded as deferred expenditure until such time as a project agreement is reached, whereupon the costs are transferred to railway construction in progress which is stated at cost less impairment losses (note 2G(ii)). In the event the project agreement cannot be reached and the costs concerned are not considered recoverable, the costs concerned are charged to the consolidated statement of profit or loss immediately.

(ii) After entering into a project agreement, all costs (including construction costs, consultancy fees, inhouse staff costs and overhead) incurred in the construction of the railway are dealt with as railway construction in progress which is stated at cost less impairment losses (note 2G(ii)). Upon commissioning of the railway line, the relevant costs are transferred to fixed assets (note 2E).

J Joint Operations

A joint operation is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses relating to its interest with similar items on a line by line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The arrangements entered into by the Group with developers for Hong Kong property development without establishing separate entities are considered to be joint operations in accordance with HKFRS 11, *Joint Arrangements*. Under the development arrangements, the Group is normally responsible for its own costs, including in-house staff costs and the costs of enabling works, and the developers normally undertake to pay for all other project costs such as land premium (or such remaining portion as not already paid by the Group), construction costs, professional fees, etc. In respect of its interests in such operations, the Group accounts for the purchase costs of development rights, costs of enabling works (including any interest accrued) and land costs (including any land premiums) incurred net of payments or distributions of the assets received as property development in progress. In cases where payments or distributions of the assets received from developers exceed the related expenditures incurred by the Group, such excess is recorded as deferred income. Expenses incurred by the Group on staff, overhead and consultancy fees in respect of these developments are also capitalised as property development in progress. The Group's share of profits earned from such operations is recognised in the consolidated statement of profit or loss on the basis of note 2K(iii) after netting off any related balance in property development in progress at that time.

2 Material Accounting Policies *(continued)*

K Property Development

(i) Costs incurred by the Group in respect of site preparation, land costs, acquisition of development rights, aggregate cost of development, borrowing costs capitalised, provisions and other direct expenses are dealt with as property development in progress.

(ii) Payments or distributions of the assets received from developers in respect of Hong Kong property developments under joint operations arrangement are offset against the amounts in property development in progress attributable to that development. Payments or distributions of the assets received from developers in excess of the balance in property development in progress are transferred to deferred income which is included in the consolidated statement of financial position under "Creditors, other payables and provisions". In these cases, further costs subsequently incurred by the Group in respect of that development are charged against deferred income.

(iii) Profits arising from the development of properties in Hong Kong undertaken under joint operations arrangement are recognised in the consolidated statement of profit or loss as follows:

- where the Group receives payments from developers in excess of the balance in property development in progress (i.e. resulting in deferred income), profits arising from such payments are recognised when the foundation and site enabling works are complete and acceptable for development, and after taking into account the outstanding risks and obligations, if any, retained by the Group in connection with the development;

- where the Group receives distributions of the assets of the developments in excess of the balance in property development in progress (i.e. resulting in deferred income), profit is recognised based on the fair value of such assets at the time of receipt, and after taking into account the outstanding risks and obligations, if any, retained by the Group in connection with the development; and

- where the Group receives a right to a share of the net surplus from the development, the Group's share of the profit is initially recognised once the amounts of revenue (including the fair value of any unsold properties) and costs for the development as a whole can be estimated reliably. The Group's interest in any unsold properties is subsequently remeasured on a basis consistent with the policy set out in note 2L and included within properties held for sale.

Upon recognition of profit, property development in progress relating to that development is charged to the consolidated statement of profit or loss, if any. Deferred income arising from the outstanding risks and obligations retained by the Group in connection with the development is included in the consolidated statement of financial position under "Creditors, other payables and provisions". The outstanding risks and obligations retained by the Group in connection with the development will be reassessed at the end of each reporting period. Any reduction in the amount of outstanding risks and obligations will be accounted for as a decrease in deferred income and a corresponding profit in that reporting period.

(iv) Revenue arising from sales of properties not under joint operations arrangement is recognised when the legal assignment is completed, which is the point in time when the purchaser has the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under "Creditors, other payables and provisions".

(v) Where costs are incurred for the construction and/or the related fitting out costs for the properties under construction to be received from a development, those costs are initially capitalised in deferred expenditure before the receipt of such properties, and subsequently recognised as the respective assets upon receipt.

L Properties Held for Sale

Where properties are held for sale, those properties are stated initially at their cost and subsequently carried at the lower of cost and net realisable value.

For those properties in Hong Kong, cost represents the fair value, as determined by reference to an independent open market valuation, upon the recognition of profits arising from the development as set out in note 2K(iii).

For those properties in Mainland China, cost is determined by the apportionment of the development costs attributable to the unsold properties.

Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

The amount of any write-down of properties to net realisable value is recognised as an expense in the period the write-down occurs. The amount of any reversal of any write-down of properties arising from an increase in net realisable value is recognised as a reduction in the cost of properties sold in the period in which the reversal occurs.

When properties held for sale are sold, the carrying amount of those properties is recognised in the consolidated statement of profit or loss.

2 Material Accounting Policies *(continued)*

M Investments in Securities

Investments in securities (other than investments in subsidiaries, associates and joint ventures) are classified as at fair value through profit or loss. Changes in the fair value of the investments (including interest) are recognised in profit or loss.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investments. Profit or loss on disposal of investments in securities are determined as the difference between the net disposal proceeds and the carrying amount of the investments and are accounted for in the consolidated statement of profit or loss as they arise.

N Stores and Spares

Stores and spares used for business operation are categorised as either revenue or capital. Revenue spares are stated at cost, using the weighted average cost method and are recognised as expenses in the period in which the consumption occurs. Provision is made for obsolescence where appropriate. Capital spares are included in fixed assets and stated at cost less accumulated depreciation and impairment losses (note 2H and 2G(ii)). Depreciation is charged at the rates applicable to the relevant fixed assets against which the capital spares are held in reserve.

O Contract Assets and Contract Liabilities

A contract asset is recognised when the Group recognises revenue (note 2Y) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2G(i) and are reclassified to receivables when the right to the consideration has become unconditional (note 2Q).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (note 2Y). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (note 2Q).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (note 2Z).

P Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value with a maturity at acquisition within three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Q Debtors and Other Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (note 2O). Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (note 2G(i)).

R Interest-bearing Borrowings

Interest-bearing borrowings are measured initially at fair value net of transaction costs incurred. The interest-bearing borrowings not subject to fair value hedges are subsequently stated at amortised costs using effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for interest and finance charges (note 2Z).

Subsequent to initial recognition, the carrying amount of interest-bearing borrowings subject to fair value hedges is remeasured and the change in fair value attributable to the risk being hedged is recognised in the consolidated statement of profit or loss to offset the effect of the gain or loss on the related hedging instrument.

S Creditors and Other Payables

Creditors and other payables are stated at amortised cost if the effect of discounting would be material, otherwise they are stated at cost.

T Derivative Financial Instruments and Hedging Activities

The Group uses derivative financial instruments such as interest rate swaps and currency swaps to manage its interest rate and foreign exchange exposure. Based on the Group's policies, these instruments are used solely for reducing or eliminating financial risks associated with the Group's investments and liabilities and not for trading or speculation purposes.

Derivatives are recognised at fair value and are remeasured at their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

2 Material Accounting Policies *(continued)*

T Derivative Financial Instruments and Hedging Activities *(continued)*

Where hedge accounting applies, the Group designates derivatives employed as either: (1) a fair value hedge: to hedge the fair value of recognised liabilities; (2) a cash flow hedge: to hedge the variability in cash flows of a recognised liability or the foreign currency risk of a firm commitment; or (3) a hedge of a net investment: to hedge the variability in cash flows of a monetary item that is receivable from or payable to a foreign operation where the settlement for the monetary item is neither planned nor likely to occur in foreseeable future.

(i) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated statement of profit or loss, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income which is accumulated separately in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are transferred to the consolidated statement of profit or loss in the periods when the hedged item is recognised in the consolidated statement of profit or loss. However, when the transaction in respect of the hedged item results in the recognition of a non-financial asset or liability, the associated gains and losses that were previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial cost or carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the transaction in respect of the hedged item is still expected to occur, the cumulative gain or loss existing in equity at that time remains in equity until the transaction occurs and it is recognised in accordance with the above policy. However, if the transaction in respect of the hedged item is no longer expected to occur, the gain or loss accumulated in equity is immediately transferred to the consolidated statement of profit or loss.

(iii) Hedge of a Net Investment

The effective portion of changes in the fair value of derivatives that are designated and qualified as hedges of net investments in foreign operations is recognised in other comprehensive income which is accumulated separately in equity in the exchange reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are transferred to the consolidated statement of profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

(iv) Derivatives that do not qualify for Hedge Accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss.

U Employee Benefits

(i) Salaries, annual leave, other allowances, contributions to defined contribution retirement schemes, including contributions to Mandatory Provident Funds ("MPF") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, and other costs of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where these benefits are incurred for staff relating to construction projects, capital works and property developments, they are capitalised as part of the cost of the qualifying assets. In other cases, they are recognised as expenses in the consolidated statement of profit or loss as incurred.

(ii) The Group's net obligation from defined benefit plans includes defined benefit retirement schemes operated or participated by the Group and long service payment ("LSP") under the Hong Kong Employment Ordinance. The amount is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years and discounting that amount. For defined benefit retirement schemes' obligation, the amount is estimated after deducting the fair value of scheme assets. For LSP obligation, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's mandatory contributions to the retirement schemes that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of net obligation from defined benefit plans is performed by a qualified actuary using the Projected Unit Credit Method. For defined benefit retirement schemes, when the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme. Service cost and net interest expense/income on the net defined benefit liability/asset are recognised either as an expense in the consolidated statement of profit or loss, or capitalised as part of the cost of the relevant construction projects, capital works or property developments, as the case may be. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense/income for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/asset. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the weighted average duration of the scheme's obligations.

2 Material Accounting Policies *(continued)*

U Employee Benefits *(continued)*

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in the consolidated statement of profit or loss or capitalised at the earlier of when the scheme amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise of actuarial gains and losses, the return on scheme assets in defined benefit retirement schemes (excluding amounts included in net interest on the net defined benefit liability/asset) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/asset).

(iii) Equity-settled share-based payments are measured at fair value at the date of grant. For award shares under the Executive Share Incentive Scheme, the amounts to be expensed as staff costs are determined by reference to the fair value of the award shares granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognised over the relevant vesting periods, with a corresponding credit to the employee share-based capital reserve under equity.

For those award shares which are amortised over the vesting periods, the Group reviews its estimates of the number of award shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to consolidated statement of profit or loss in the year of the review, with a corresponding adjustment to the employee share-based capital reserve. Upon vesting of award shares, the related costs of the vested award shares purchased from the market (the "purchased shares") and shares received in relation to scrip dividend and shares purchased from the proceeds of cash ordinary dividends received (the "ordinary dividend shares") are credited to Shares held for Executive Share Incentive Scheme, with a corresponding decrease in employee share-based capital reserve for the purchased shares, and decrease in retained profits for the ordinary dividend shares.

(iv) For cash-settled share-based payments, a liability equal to the portion of the services received is recognised at the fair value of the shares determined at the end of each reporting period.

(v) Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

V Income Tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets also arise from unused tax losses and unused tax credits. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary differences (provided they are not part of a business combination). Deferred tax is not recognised for those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the OECD.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2E(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 Material Accounting Policies *(continued)*

W Financial Guarantee Contracts

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment to the holder when due in accordance with the original or modified terms of a debt instrument.

When the Group issues a financial guarantee, where the effect is material, the fair value of the guarantee, after netting off any consideration received or receivable at inception, is initially debited to the consolidated statement of profit or loss and recognised as deferred income within creditors, other payables and provisions. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

The amount of the guarantee initially recognised as deferred income is amortised in the consolidated statement of profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in creditors, other payables and provisions in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation). To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2G(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

X Provisions, Contingent Liabilities and Onerous Contracts

(i) Provisions and Contingent Liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous Contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental cost of fulfilling the obligation under that contract and an allocation of other costs that relate directly to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2 Material Accounting Policies *(continued)*

Y Revenue Recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Further details of the Group's revenue and other income recognition policies are as follows:

(i) Fare revenue is recognised when the journey is provided.

(ii) Rental income from investment properties, station kiosks and other railway premises under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Contract revenue is recognised when the outcome of a consultancy, construction or service contract can be estimated reliably. Contract revenue is recognised progressively over-time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. When the outcome of a consultancy, construction or service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

(iv) Income from other railway and station commercial businesses, property management, railway franchises and service concessions are recognised when the services are provided.

Z Interest and Finance Charges

Interest income and expense directly attributable to the financing of capital projects prior to their completion or commissioning are capitalised. Exchange differences arising from foreign currency borrowings relating to the acquisition of assets are capitalised to the extent that they are regarded as an adjustment to capitalised interest costs. Interest expense attributable to other purposes is charged to the consolidated statement of profit or loss.

Finance charges on lease liabilities are charged to the consolidated statement of profit or loss over the period of the lease so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

AA Foreign Currency Translation

Foreign currency transactions during the year are translated into Hong Kong dollars and recorded at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the consolidated statement of profit or loss.

The results of foreign entities are translated into Hong Kong dollars at the average exchange rates for the year. Statement of financial position items are translated into Hong Kong dollars at the closing exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

AB Segment Reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of businesses and operations in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services and products, the type or class of customers, the methods used to provide the services or distribute the products, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Material Accounting Policies *(continued)*

AC Related Parties

For the purposes of these financial statements, a person, or a close member of that person's family, is related to the Group if that person has control, joint control or significant influence over the Group, or is a member of the key management personnel of the Group.

An entity is related to the Group if (i) the entity and the Group are members of the same group; (ii) the entity is an associate or joint venture of the Group; (iii) the entity is a post-employment benefit scheme for the benefit of employees of the Group or of any entity that is a related party of the Group; (iv) an individual who is a related party of the Group has control or joint control over that entity; (v) a person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of that entity; or (vi) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

AD Government Grants

Government grants are assistance by governments in the form of transfer of resources in return for the Group's compliance with the conditions attached thereto. Government grants which represent compensation for the cost of an asset are deducted from the cost of the asset in arriving at its carrying value to the extent of the amounts received and receivable as at the end of the reporting period. Government grants which represent compensation for expenses or losses are deducted from the related expenses. Any excess of the amount of grant received or receivable over the cost of the asset or the expenses or losses at the end of the reporting period are carried forward as advance receipts or deferred income to set off against the future cost of the asset or future expenses or losses.

AE Disposal Group Held for Sale

Disposal group comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, property, plant and equipment are no longer depreciated.

3 Rail Merger with Kowloon-Canton Railway Corporation and Operating Arrangements for the High Speed Rail and the Shatin to Central Link

A Rail Merger

On 2 December 2007 (the "Appointed Day"), the Company's operations merged with those of Kowloon-Canton Railway Corporation ("KCRC") (the "Rail Merger"). The structure and key terms of the Rail Merger were set out in a series of transaction agreements entered into between, inter alia, the HKSAR Government, KCRC and the Company including the Service Concession Agreement, Property Package Agreements and Merger Framework Agreement.

Pursuant to the Service Concession Agreement ("SCA"), KCRC granted the Company the right to access, use and operate the KCRC system for an initial term of 50 years (the "Concession Period"), which will be extended if the franchise period (as it relates to the KCRC railway) is extended. In accordance with the terms of the SCA, the Company paid an upfront lump sum to KCRC on the Appointed Day and is obliged to pay to KCRC fixed annual payments and variable annual payments (calculated on a tiered basis by reference to the revenue generated from the KCRC system above certain thresholds).

Under the SCA, the Company is responsible for the expenditure incurred in relation to the maintenance, repair, replacement and upgrade of the KCRC system (with any new assets acquired being classified as "additional concession property"). To the extent that such expenditure exceeds an agreed threshold ("Capex Threshold"), the Company will be reimbursed for any above-threshold expenditure at the end of the Concession Period with such reimbursement to be on the basis of depreciated book value.

Details of the Rail Merger are disclosed in the Company's circular dated 3 September 2007.

B Operating Arrangements for the High Speed Rail

On 23 August 2018, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the then current agreements to enable the Company to operate the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("High Speed Rail" or "HSR") in substantially the same manner as the existing railway network. Under the supplemental service concession agreement that was executed on 23 August 2018 ("SSCA-HSR"), the operating period with respect to the HSR is for an initial term of 10 years from 23 September 2018 ("Concession Period (High Speed Rail)"), which may be extended subject to further negotiation between the Company and KCRC in accordance with the mechanism set out in the SSCA-HSR. Under the SSCA-HSR, the Company is responsible for the expenditure incurred in relation to the maintenance, repair, replacement and upgrade of the concession property of the High Speed Rail (with any new assets acquired being classified as "additional concession property (High Speed Rail)"). To the extent that such expenditure exceeds an agreed threshold ("Capex Threshold (High Speed Rail)"), the Company will be reimbursed for any above-threshold expenditure at the end of the concession period with such reimbursement to be on the basis of depreciated book value.

Details of the SSCA-HSR are disclosed in the Company's announcement dated 23 August 2018.

3 Rail Merger with Kowloon-Canton Railway Corporation and Operating Arrangements for the High Speed Rail and the Shatin to Central Link *(continued)*

C Operating Arrangements for the Shatin to Central Link

The Shatin to Central Link ("SCL") was commissioned in two parts:

(a) The first part of the SCL extended the previously existing Ma On Shan Railway from Tai Wai Station to the West Rail Line via East Kowloon to form the Tuen Ma Line. The Tuen Ma Line was in turn commissioned in two phases:

(i) The First Phase of Tuen Ma Line extended the previously existing Ma On Shan Railway from Tai Wai Station to Kai Tak Station with two new stations at Hin Keng and Kai Tak, and incorporating one existing station at Diamond Hill, and was commissioned on 14 February 2020.

(ii) The Second Phase of Tuen Ma Line extends from Kai Tak Station to Hung Hom Station with two new stations at Sung Wong Toi and To Kwa Wan and incorporating one existing station at Ho Man Tin, and it integrated the existing First Phase of Tuen Ma Line with the West Rail Line into a single railway line known as the Tuen Ma Line, and was commissioned on 27 June 2021.

(b) The second part of the SCL extended the East Rail Line (Original) from Hung Hom Station to Admiralty Station via the new Exhibition Centre Station.

Relevant agreements with the HKSAR Government and KCRC to supplement and amend the current agreements are detailed below.

On 11 February 2020, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the then current agreements to enable the Company to operate the First Phase of Tuen Ma Line in substantially the same manner as the existing railway network for a period of two years from 14 February 2020 including a supplemental service concession agreement ("SSCA1-SCL") with KCRC.

On 21 June 2021, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the current agreements to enable the Company to operate the Tuen Ma Line, in substantially the same manner as the existing railway network for a period of two years from 27 June 2021 including the supplemental service concession agreement ("SSCA2-SCL") signed with KCRC. The SSCA2-SCL replaced the SSCA1-SCL.

On 10 May 2022, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the current agreements to enable the Company to operate the SCL as a whole in substantially the same manner as the existing railway network but for a period of ten years from 15 May 2022, being the date of commissioning and commercial operation of the second part of the SCL, including the supplemental service concession agreement ("SSCA3-SCL") signed with KCRC. The SSCA3-SCL superseded and replaced the SSCA2-SCL. Prior to the expiry of this ten-year period, the parties are obliged to commence exclusive negotiations in good faith with a view to agreeing the terms of a legally binding agreement in relation to an extension of SCL concession (including, without limitation, that the Company shall operate the SCL pursuant to a service concession as defined in the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong) ("MTR Ordinance")), which shall apply to the SCL the Operating Agreement dated 9 August 2007 and which should in accordance with the Operating Agreement dated 9 August 2007, enable the Company to earn a commercial rate of return from its operation of the SCL.

Details of the SSCA1-SCL, SSCA2-SCL and SSCA3-SCL are disclosed in the Company's announcements dated 11 February 2020, 21 June 2021 and 10 May 2022 respectively.

4 Revenue from Hong Kong Transport Operations

Revenue from Hong Kong transport operations comprises:

in HK$ million	**2023**	2022
Domestic Service	**13,995**	11,245
Cross-boundary Service	**2,206**	4
High Speed Rail	**2,503**	1,401
Airport Express	**664**	128
Light Rail and Bus	**658**	561
Others	**105**	65
	20,131	13,404

Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service) and Tuen Ma Lines. Others include mainly by-law infringement surcharge, Octopus load agent fees and other rail-related income.

5 Revenue from Hong Kong Station Commercial Businesses

Revenue from Hong Kong station commercial businesses comprises:

in HK$ million	2023	2022
Duty free shops and kiosks	**3,429**	1,544
Advertising	**981**	836
Telecommunication income	**603**	616
Other station commercial income	**104**	81
	5,117	3,077

6 Revenue from Hong Kong Property Rental and Management Businesses

Revenue from Hong Kong property rental and management businesses comprises:

in HK$ million	2023	2022
Property rental income	**4,795**	4,525
Property management income	**284**	254
	5,079	4,779

7 Revenue and Expenses Relating to Mainland China and International Subsidiaries

Revenue and expenses relating to Mainland China and international subsidiaries comprise:

	2023		2022	
in HK$ million	Revenue	Expenses*	Revenue	Expenses*
Melbourne Train	**13,787**	**12,787**	12,812	11,815
Sydney Metro North West	**867**	**794**	662	632
Sydney Metro City & Southwest	**1,318**	**1,243**	2,234	2,099
MTR Nordic**	**4,809**	**5,206**	5,232	5,307
London Elizabeth Line	**3,178**	**3,143**	2,721	2,648
Shenzhen Metro Line 4 ("SZL4")	**792**	**680**	651	675
Shenzhen Metro Line 13 ("SZL13") (note 21C)	**429**	**429**	956	956
Others	**775**	**601**	748	619
	25,955	**24,883**	26,016	24,751
Property development in Mainland China	**–**	**13**	173	114
Total Mainland China and international subsidiaries	**25,955**	**24,896**	26,189	24,865

* Expenses include staff costs of HK$11,092 million (2022: HK$10,506 million) (note 10A) and maintenance and related work costs of HK$3,548 million (2022: HK$3,607 million).

** MTR Nordic comprises the Mälartåg, MTR Tech, MTRX (note 49), Stockholm Commuter Rail ("Stockholms pendeltåg") and Stockholm Metro operations in Sweden.

In 2023, due to on-going manpower shortage and maintenance issues that had inevitable impact on financial performance, the Group entered into a supplemental agreement with the Stockholm Public Transport Authority to terminate the Stockholms pendeltåg concession effective 2 March 2024, resulting in a charge to the Group's profit or loss of approximately HK$0.7 billion in 2023. The loss was comprised of (i) the "exit fee" payable pursuant to the supplemental agreement; (ii) a provision for certain assets to be transferred to the new operator for no consideration; and (iii) a provision for wind-down costs and certain assets which would need to be written off. The provision for wind-down costs also included other net costs which were anticipated to be incurred in meeting the Group's obligations under the assignment agreement until the franchise termination in March 2024.

The Mälartåg operations were also impacted by the operational challenges. After discussions with the client, Mälardalstrafik, to agree potential commercial and contractual remedies, the Group entered into a supplementary agreement with Mälardalstrafik in February 2024 to terminate the Mälartåg concession effective 16 June 2024. As at 31 December 2023, an onerous contract provision of approximately HK$0.3 billion was made based on the estimated unavoidable costs under the Mälartåg concession. The loss arising under the terms of the supplementary agreement is not expected to be materially different from the provision already made in 2023.

As a result of the above, in aggregate, HK$1,022 million was charged under "Provisions for onerous contracts and impairment loss" in the consolidated statement of profit or loss for the year ended 31 December 2023.

8 Revenue from Other Businesses

Revenue from other businesses comprises income from:

in HK$ million	2023	2022
Ngong Ping 360	378	83
Consultancy business	213	175
Miscellaneous businesses	109	105
	700	363

9 Segmental Information

The Group's businesses consist of (i) recurrent businesses (comprising Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, and other businesses (collectively referred to as "recurrent businesses in Hong Kong"), and Mainland China and international railway, property rental and management businesses (referred as "recurrent businesses outside of Hong Kong"), and both excluding fair value measurement of investment properties) and (ii) property development businesses (together with recurrent businesses referred to as "underlying businesses").

The Group manages its businesses by the various business executive committees. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

(i) Hong Kong transport operations: The provision of passenger operation and related services on the domestic mass transit railway system in Hong Kong, the Airport Express serving both the Hong Kong International Airport and the AsiaWorld-Expo at Chek Lap Kok, cross-boundary railway connection with Mainland China at Lo Wu and Lok Ma Chau, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) ("High Speed Rail"), light rail and bus feeder with railway system in the north-west New Territories and intercity railway transport with certain cities in Mainland China.

(ii) Hong Kong station commercial businesses: Commercial activities including the letting of advertising, retail and car parking spaces at railway stations, the provision of telecommunication, bandwidth and data centre services in railway and other premises, and other commercial activities within the Hong Kong transport operations network.

(iii) Hong Kong property rental and management businesses: The letting of retail, office and car parking spaces and the provision of property management services in Hong Kong.

(iv) Hong Kong property development: Property development activities at locations near the railway systems in Hong Kong.

(v) Mainland China and international railway, property rental and management businesses: The construction, operation and maintenance of mass transit railway systems including station commercial activities outside of Hong Kong and the letting of retail spaces and provision of property management services in Mainland China.

(vi) Mainland China property development: Property development activities in Mainland China.

(vii) Other businesses: Businesses not directly relating to transport services or properties such as Ngong Ping 360, which comprises cable car operation in Tung Chung and related businesses at the Ngong Ping Theme Village, railway consultancy business, investment in Octopus Holdings Limited and the provision of project management services to the HKSAR Government.

9 Segmental Information *(continued)*

The results of the reportable segments and reconciliation to the corresponding consolidated totals in the consolidated financial statements are shown below:

	Hong Kong transport services				Mainland China and international affiliates				
in HK$ million	Hong Kong transport operations	Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development	Mainland China and international railway, property rental and management businesses	Mainland China property development	Other businesses	Un-allocated amount	Total
2023									
Revenue from contracts with customers within the scope of HKFRS 15	20,131	1,701	369	–	25,812	–	639	–	48,652
– Recognised at a point in time	18,764	29	–	–	5,011	–	374	–	24,178
– Recognised over time	1,367	1,672	369	–	20,801	–	265	–	24,474
Revenue from other sources	–	3,416	4,710	–	143	–	61	–	8,330
– Lease payments that are fixed or depend on an index or a rate	–	3,212	4,528	–	140	–	7	–	7,887
– Variable lease payments that do not depend on an index or a rate	–	204	182	–	3	–	–	–	389
– Others	–	–	–	–	–	–	54	–	54
Total revenue	20,131	5,117	5,079	–	25,955	–	700	–	56,982
Operating expenses	(14,177)	(560)	(1,063)	–	(24,883)	(13)	(579)	–	(41,275)
Project study and business development expenses	–	–	–	–	(260)	–	–	(137)	(397)
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	5,954	4,557	4,016	–	812	(13)	121	(137)	15,310
Hong Kong property development profit from share of surplus, income and interest in unsold properties	–	–	–	2,329	–	–	–	–	2,329
Gain/(loss) from fair value measurement of investment properties	–	–	1,522	–	(136)	–	–	–	1,386
Operating profit/(loss) before depreciation, amortisation and variable annual payment	5,954	4,557	5,538	2,329	676	(13)	121	(137)	19,025
Depreciation and amortisation	(5,232)	(249)	(11)	–	(548)	–	(65)	–	(6,105)
Provisions for onerous contracts	–	–	–	–	(1,022)	–	–	–	(1,022)
Variable annual payment	(1,833)	(516)	(6)	–	–	–	–	–	(2,355)
Share of profit of associates and joint ventures	–	–	–	–	757	–	502	–	1,259
(Loss)/profit before interest, finance charges and taxation	(1,111)	3,792	5,521	2,329	(137)	(13)	558	(137)	10,802
Interest and finance charges	–	–	–	–	2	74	–	(1,215)	(1,139)
Income tax	–	–	–	(294)	(322)	(13)	–	(946)	(1,575)
(Loss)/profit for the year ended 31 December 2023	(1,111)	3,792	5,521	2,035	(457)	48	558	(2,298)	8,088
Assets									
Fixed assets	130,049	3,608	98,002	–	6,505	–	472	–	238,636
Other segment assets	7,576	903	859	1,069	11,277	3,416	1,129	18,501	44,730
Property management rights	–	–	10	–	–	–	–	–	10
Railway construction in progress	4,256	–	–	–	–	–	–	–	4,256
Property development in progress	–	–	–	41,728	–	–	–	–	41,728
Deferred expenditure	374	–	–	3	1	–	–	–	378
Deferred tax assets	–	–	–	–	551	18	–	34	603
Investments in securities	–	–	–	–	11	446	405	–	862
Properties held for sale	–	–	–	1,927	–	12	–	–	1,939
Interests in associates and joint ventures	–	–	–	–	11,074	–	1,711	–	12,785
Assets of disposal group classified as held for sale	–	–	–	–	499	–	–	–	499
Total assets	142,255	4,511	98,871	44,727	29,918	3,892	3,717	18,535	346,426
Liabilities									
Segment liabilities	25,301	2,208	2,793	37,637	12,066	369	1,642	75,396	157,412
Obligations under service concession	9,898	–	–	–	161	–	–	–	10,059
Liabilities of disposal group classified as held for sale	–	–	–	–	99	–	–	–	99
Total liabilities	35,199	2,208	2,793	37,637	12,326	369	1,642	75,396	167,570
Other information									
Capital expenditure on:									
Fixed assets	8,394	276	1,253	–	682	–	31	–	10,636
Deferred expenditure	183	–	–	3	1	–	–	–	187
Railway construction in progress	2,352	–	–	–	–	–	–	–	2,352
Property development in progress	–	–	–	1,572	–	–	–	–	1,572

9 Segmental Information *(continued)*

in HK$ million	Hong Kong transport services				Mainland China and international affiliates				
	Hong Kong transport operations	Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development	Mainland China and international railway, property rental and management businesses	Mainland China property development	Other businesses	Un-allocated amount	Total
2022									
Revenue from contracts with customers within the scope of HKFRS 15	13,404	1,543	333	–	25,886	173	323	–	41,662
– Recognised at a point in time	12,163	19	–	–	4,819	173	122	–	17,296
– Recognised over time	1,241	1,524	333	–	21,067	–	201	–	24,366
Revenue from other sources	–	1,534	4,446	–	130	–	40	–	6,150
– Lease payments that are fixed or depend on an index or a rate	–	1,520	4,335	–	128	–	4	–	5,987
– Variable lease payments that do not depend on an index or a rate	–	14	111	–	2	–	–	–	127
– Others	–	–	–	–	–	–	36	–	36
Total revenue	13,404	3,077	4,779	–	26,016	173	363	–	47,812
Operating expenses	(12,713)	(522)	(964)	–	(24,751)	(114)	(511)	–	(39,575)
Project study and business development expenses	–	–	–	–	(255)	–	–	(71)	(326)
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	691	2,555	3,815	–	1,010	59	(148)	(71)	7,911
Hong Kong property development profit from share of surplus, income and interest in unsold properties	–	–	–	11,589	–	–	–	–	11,589
(Loss)/gain from fair value measurement of investment properties	–	–	(814)	–	4	–	–	–	(810)
Operating profit/(loss) before depreciation, amortisation and variable annual payment	691	2,555	3,001	11,589	1,014	59	(148)	(71)	18,690
Depreciation and amortisation	(5,151)	(237)	(13)	–	(303)	–	(65)	–	(5,769)
Impairment loss	–	–	–	–	(962)	–	–	–	(962)
Variable annual payment	(273)	(48)	(2)	–	–	–	–	–	(323)
Share of profit of associates and joint ventures	–	–	–	–	695	–	400	–	1,095
(Loss)/profit before interest, finance charges and taxation	(4,733)	2,270	2,986	11,589	444	59	187	(71)	12,731
Interest and finance charges	–	–	–	–	(59)	79	–	(1,002)	(982)
Income tax	–	–	–	(1,176)	(294)	(71)	–	(67)	(1,608)
(Loss)/profit for the year ended 31 December 2022	(4,733)	2,270	2,986	10,413	91	67	187	(1,140)	10,141
Assets									
Fixed assets	127,055	3,689	91,316	–	6,875	49	507	–	229,491
Other segment assets	7,451	486	818	3,117	10,499	4,678	954	9,926	37,929
Goodwill and property management rights	–	–	11	–	50	–	–	–	61
Railway construction in progress	–	–	–	–	–	–	–	–	–
Property development in progress	–	–	–	41,269	–	–	–	–	41,269
Deferred expenditure	2,428	–	63	49	–	–	–	–	2,540
Deferred tax assets	–	–	–	–	569	9	–	28	606
Investments in securities	–	–	–	–	12	619	328	–	959
Properties held for sale	–	–	–	1,877	–	11	–	–	1,888
Interests in associates and joint ventures	–	–	–	–	10,737	–	1,601	–	12,338
Total assets	136,934	4,175	92,208	46,312	28,742	5,366	3,390	9,954	327,081
Liabilities									
Segment liabilities	24,050	1,834	2,526	31,962	10,884	834	1,886	63,051	137,027
Obligations under service concession	9,976	–	–	–	166	–	–	–	10,142
Total liabilities	34,026	1,834	2,526	31,962	11,050	834	1,886	63,051	147,169
Other information									
Capital expenditure on:									
Fixed assets	7,678	582	578	–	1,245	–	26	–	10,109
Deferred expenditure	1,480	–	34	25	–	–	–	–	1,539
Railway construction in progress	61	–	–	–	–	–	–	–	61
Property development in progress	–	–	–	9,843	–	–	–	–	9,843

9 Segmental Information *(continued)*

For the year ended 31 December 2023, profit attributable to shareholders of the Company arising from recurrent businesses in Hong Kong of HK$4,940 million (2022: HK$384 million) represents (i) the profit for the year of HK$7,238 million (2022: HK$1,524 million) arising from recurrent businesses in Hong Kong (after excluding gain from fair value measurement of investment properties of HK$1,522 million (2022: loss of HK$814 million)) and (ii) un-allocated expenses of HK$2,298 million (2022: HK$1,140 million) in Hong Kong.

For the year ended 31 December 2023, loss attributable to shareholders of the Company arising from recurrent businesses outside Hong Kong of HK$659 million (2022: HK$227 million) represents (i) the loss for the year of HK$355 million (2022: profit of HK$87 million) arising from recurrent business outside Hong Kong (after excluding loss from fair value measurement of investment properties of HK$136 million (2022: gain of HK$4 million) and related income tax credit of HK$34 million (2022: HK$nil)), and (ii) net of profit attributable to non-controlling interests of HK$304 million (2022: HK$314 million).

For the year ended 31 December 2023, profit attributable to shareholders of the Company arising from fair value measurement of investment properties of HK$1,420 million (2022: loss of HK$810 million) represents gain from fair value remeasurement on investment properties of HK$26 million (2022: loss of HK$3,076 million), gain from fair value measurement of investment properties on initial recognition from property development of HK$1,360 million (2022: HK$2,266 million) and related income tax credit of HK$34 million (2022: HK$nil).

Unallocated assets and liabilities mainly comprise cash, bank balances and deposits, tax reserve certificates, derivative financial assets and liabilities, interest-bearing loans and borrowings, current taxation, as well as deferred tax assets and liabilities.

Other segment assets mainly include debtors, stores and spares, cash, bank balances and deposits and other assets employed in the operations of individual business segments.

For the year ended 31 December 2023, revenue from one customer (2022: one customer) of Mainland China and international railway, property rental and management businesses segment has exceeded 10% of the Group's revenue. Approximately 22.31% of the Group's total revenue was attributable to the customer (2022: 17.21%).

For the year ended 31 December 2023, profit before tax attributable to joint operations of HK$3,695 million (2022: HK$13,739 million) was recognised.

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's fixed assets, goodwill and property management rights, railway construction in progress, property development in progress, deferred expenditure and interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of investment properties, other property, plant and equipment, railway construction in progress and property development in progress, the location of the proposed capital project in the case of deferred expenditure, the location of the operation to which they are related in the case of service concession assets, goodwill and property management rights and interests in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
in HK$ million	**2023**	2022	**2023**	2022
Hong Kong SAR (place of domicile)	**30,962**	21,586	**280,212**	267,988
Australia	**15,972**	15,708	**900**	918
Mainland China and Macao SAR	**2,027**	2,553	**16,554**	16,229
Sweden	**4,809**	5,232	**116**	557
United Kingdom	**3,212**	2,733	**11**	7
	26,020	26,226	**17,581**	17,711
	56,982	47,812	**297,793**	285,699

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is HK$40,918 million (2022: HK$45,510 million). This amount represents revenue expected to be recognised in the future mainly from the fixed annual payments in relation to High Speed Rail under the SSCA-HSR and in relation to Shatin to Central Link under SSCA3-SCL, as well as the construction, consultancy and project management contracts entered into with the Group's customers. The Group will recognise the expected revenue in future when or as the work is completed or as the services are rendered which is expected to occur over the next one to fifteen years.

The Group has applied the practical expedients in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from certain contracts with customers in existence at the reporting date that are billed based on the performance completed to date or have an original expected duration of one year or less.

10 Operating Expenses

A Total staff costs include:

in HK$ million	2023	2022
Amounts charged to consolidated statement of profit or loss account under:		
– staff costs and related expenses for Hong Kong transport operations	**6,917**	6,341
– maintenance and related works for Hong Kong transport operations	**123**	100
– other expense line items for Hong Kong transport operations	**109**	164
– expenses relating to Hong Kong station commercial businesses	**136**	119
– expenses relating to Hong Kong property rental and management businesses	**193**	173
– expenses relating to Mainland China and international subsidiaries	**11,092**	10,506
– expenses relating to other businesses	**459**	545
– project study and business development expenses	**200**	202
– Hong Kong property development profit from share of surplus, income and interest in unsold properties	**11**	10
Amounts capitalised in the consolidated statement of financial position under:		
– assets under construction and other projects	**1,085**	1,386
– service concession assets	**525**	500
– railway construction in progress before offset by government grant	**753**	40
– property development in progress	**281**	242
Amounts recoverable	**663**	606
Total staff costs	**22,547**	20,934

Amounts recoverable relate to property management, entrustment works and other agreements.

The following expenditures are included in total staff costs:

in HK$ million	2023	2022
Share-based payments	**119**	118
Contributions to defined contribution retirement schemes and Mandatory Provident Fund	**1,178**	1,115
Amounts recognised in respect of defined benefit plans	**386**	398
	1,683	1,631

B Auditors' remuneration charged to the consolidated statement of profit or loss include:

in HK$ million	2023	2022
Audit services	**24**	22
Other audit related services	**6**	6
Tax services	**3**	2
Other non-audit services	**–**	2
	33	32

C Loss on disposal of fixed assets of HK$136 million (2022: HK$148 million) is included in operating expenses.

11 Remuneration of Members of the Board and the Executive Directorate

A Remuneration of Members of the Board and the Executive Directorate

(i) The emoluments of Members of the Board and the Executive Directorate of the Company were as follows:

in HK$ million	Fees	Base pay, allowances and benefits in kind	Retirement scheme contributions	Variable remuneration related to performance	Total
2023					
Members of the Board					
– Rex Auyeung Pak-kuen	**1.7**	–	–	–	**1.7**
– Andrew Clifford Winawer Brandler	**0.6**	–	–	–	**0.6**
– Bunny Chan Chung-bun	**0.5**	–	–	–	**0.5**
– Walter Chan Kar-lok	**0.5**	–	–	–	**0.5**
– Pamela Chan Wong Shui (retired on 24 May 2023)**	**0.2**	–	–	–	**0.2**
– Dorothy Chan Yuen Tak-fai	**0.5**	–	–	–	**0.5**
– Cheng Yan-kee	**0.5**	–	–	–	**0.5**
– Hui Siu-wai	**0.5**	–	–	–	**0.5**
– Sunny Lee Wai-kwong	**0.5**	–	–	–	**0.5**
– Rose Lee Wai-mun	**0.5**	–	–	–	**0.5**
– Jimmy Ng Wing-ka	**0.5**	–	–	–	**0.5**
– Carlson Tong	**0.6**	–	–	–	**0.6**
– Sandy Wong Hang-yee (appointed on 24 May 2023)*	**0.3**	–	–	–	**0.3**
– Adrian Wong Koon-man	**0.5**	–	–	–	**0.5**
– Anna Wong Wai-kwan (appointed on 24 May 2023)*	**0.3**	–	–	–	**0.3**
– Johannes Zhou Yuan (retired on 24 May 2023)**	**0.2**	–	–	–	**0.2**
– Christopher Hui Ching-yu	**0.5**	–	–	–	**0.5**
– Secretary for Transport and Logistics	**0.5**	–	–	–	**0.5**
– Permanent Secretary for Development (Works)	**0.5**	–	–	–	**0.5**
– Commissioner for Transport	**0.5**	–	–	–	**0.5**
Members of the Executive Directorate					
– Jacob Kam Chak-pui***	–	**11.2**	**1.3**	**6.9**	**19.4**
– Jeny Yeung Mei-chun	–	**7.1**	**1.0**	**2.8**	**10.9**
– Margaret Cheng Wai-ching	–	**6.5**	**0.8**	**2.6**	**9.9**
– Linda Choy Siu-min	–	**4.6**	**0.6**	**1.8**	**7.0**
– Carl Michael Devlin~	–	**5.0**	–~~	**2.0**	**7.0**
– Herbert Hui Leung-wah (retired on 1 January 2024)	–	**6.8**	**0.8**	**2.1**	**9.7**
– Tony Lee Kar-yun	–	**5.5**	**0.7**	**2.0**	**8.2**
– Gillian Elizabeth Meller	–	**5.5**	**0.7**	**2.0**	**8.2**
– David Tang Chi-fai	–	**7.0**	**0.9**	**2.8**	**10.7**
– Sammy Wong Kwan-wai (appointed on 1 January 2023)	–	**4.7**	**0.2**	**1.6**	**6.5**
	10.4	**63.9**	**7.0**	**26.6**	**107.9**

* Sandy H Y Wong and Anna W K Wong were appointed as Members of the Board on the date shown in the above table. The amounts of their emoluments shown in the above table covers the period from the respective dates of their appointment to 31 December 2023.

** Pamela S Chan Wong and Johannes Y Zhou retired as Members of the Board on the date shown in the above table. The amounts of their emoluments shown in the above table cover the period from 1 January 2023 to the respective dates of their retirement.

*** Jacob C P Kam, being the Chief Executive Officer of the Company, also serves as a Member of the Board.

~ The Company has allocated HK$180,000 to Carl M Devlin through the Relocation Assistance Program to cover the tenancy deposit requirements.

~ ~ The total contributions paid by the Company attributable to the financial year ended 31 December 2023 for Carl M Devlin, who participated in MTR Mandatory Provident Fund Scheme (as described in note 45A(iii)) was HK$18,000.

11 Remuneration of Members of the Board and the Executive Directorate *(continued)*

A Remuneration of Members of the Board and the Executive Directorate *(continued)*

in HK$ million	Fees	Base pay, allowances and benefits in kind	Retirement scheme contributions	Variable remuneration related to performance	Total
2022					
Members of the Board					
– Rex Auyeung Pak-kuen	1.7	–	–	–	1.7
– Andrew Clifford Winawer Brandler	0.5	–	–	–	0.5
– Bunny Chan Chung-bun	0.4	–	–	–	0.4
– Walter Chan Kar-lok	0.4	–	–	–	0.4
– Pamela Chan Wong Shui	0.5	–	–	–	0.5
– Dorothy Chan Yuen Tak-fai	0.5	–	–	–	0.5
– Cheng Yan-kee	0.5	–	–	–	0.5
– Anthony Chow Wing-kin (retired on 25 May 2022)**	0.2	–	–	–	0.2
– Eddy Fong Ching (retired on 25 May 2022)**	0.2	–	–	–	0.2
– Hui Siu-wai	0.5	–	–	–	0.5
– Sunny Lee Wai-kwong (appointed on 25 May 2022)*	0.2	–	–	–	0.2
– Rose Lee Wai-mun	0.4	–	–	–	0.4
– Jimmy Ng Wing-ka	0.4	–	–	–	0.4
– Benjamin Tang Kwok-bun (retired on 25 May 2022)**	0.2	–	–	–	0.2
– Carlson Tong (appointed on 25 May 2022)*	0.3	–	–	–	0.3
– Adrian Wong Koon-man	0.5	–	–	–	0.5
– Johannes Zhou Yuan	0.5	–	–	–	0.5
– Christopher Hui Ching-yu	0.4	–	–	–	0.4
– Former Secretary for Transport and Housing[Δ]	0.2	–	–	–	0.2
– Secretary for Transport and Logistics[#]	0.2	–	–	–	0.2
– Permanent Secretary for Development (Works)	0.5	–	–	–	0.5
– Commissioner for Transport	0.5	–	–	–	0.5
Members of the Executive Directorate					
– Jacob Kam Chak-pui***	–	10.1	1.3	5.4	16.8
– Adi Lau Tin-shing (retired on 1 January 2023)	–	7.9	–~	2.0	9.9
– Roger Francis Bayliss (retired on 1 August 2022)****	–	5.6	–~~	1.2	6.8
– Margaret Cheng Wai-ching	–	5.6	0.7	1.9	8.2
– Linda Choy Siu-min	–	4.3	0.6	1.5	6.4
– Carl Michael Devlin (appointed on 1 August 2022)*****	–	2.3	–~~~	0.6	2.9
– Herbert Hui Leung-wah	–	5.3	0.7	1.7	7.7
– Tony Lee Kar-yun	–	4.6	0.7	1.5	6.8
– Gillian Elizabeth Meller	–	4.7	0.7	1.7	7.1
– David Tang Chi-fai	–	6.1	0.9	2.2	9.2
– Jeny Yeung Mei-chun	–	6.1	0.9	2.2	9.2
	9.7	62.6	6.5	21.9	100.7

* Sunny W K Lee and Carlson Tong were appointed as Members of the Board on the date shown in the above table. The amounts of their emoluments shown in the above table cover the period from the respective dates of their appointment to 31 December 2022.

** Anthony W K Chow, Eddy C Fong and Benjamin K B Tang retired as Members of the Board on the date shown in the above table. The amounts of their emoluments shown in the above table cover the period from 1 January 2022 to the respective dates of their retirement.

*** Jacob C P Kam, being the Chief Executive Officer of the Company, also serves as a Member of the Board.

**** Roger F Bayliss retired as a Member of the Executive Directorate on the date shown in the above table. The amount of his emolument shown in the above table covers the period from 1 January 2022 to the date immediately before his retirement.

***** Carl M Devlin was appointed as a Member of the Executive Directorate on the date shown in the above table. The amount of his emolument shown in the above table covers the period from his date of appointment to 31 December 2022.

~ The total contributions paid by the Company attributable to the financial year ended 31 December 2022 for Adi T S Lau, who participated in MTR Retirement Scheme (as described in note 45A(i)) was HK$41,734, pursuant to the requirement of the scheme.

~~ The total contributions paid by the Company attributable to the financial year ended 31 December 2022 for Roger F Bayliss, who participated in MTR Mandatory Provident Fund Scheme (as described in note 45A(iii)) was HK$4,500.

~~~ The total contributions paid by the Company attributable to the period from his date of appointment to 31 December 2022 for Carl M Devlin, who participated in MTR Mandatory Provident Fund Scheme (as described in note 45A(iii)) was HK$7,500.

Δ The office of the former Secretary for Transport and Housing (held by Frank Chan Fan until 30 June 2022) ceased to be a Member of the Board with effect from 1 July 2022. The amount of his emolument shown in the above table covers the period from 1 January 2022 to the date immediately before his date of cessation.

\# The office of the Secretary for Transport and Logistics (held by Lam Sai-hung) was appointed by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance as a Member of the Board with effect from 1 July 2022. The amount of his emolument shown in the above table covers the period from his appointment to 31 December 2022.
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11 Remuneration of Members of the Board and the Executive Directorate *(continued)*

A Remuneration of Members of the Board and the Executive Directorate *(continued)*

Michael George Fitzgerald was appointed as a Member of the Executive Directorate with effect from 1 January 2024.

The above emoluments do not include the share-based payments which arose from the Executive Share Incentive Scheme as disclosed in note (ii) below.

The director's fees in respect of the office of the former Secretary for Transport and Housing (Frank Chan Fan for the period from 1 January 2022 to 30 June 2022), the office of the Secretary for Transport and Logistics (Lam Sai-hung for the period from 1 July 2022 to 31 December 2023), the office of the Permanent Secretary for Development (Works) (Ricky Lau Chun-kit) and the office of the Commissioner for Transport (Rosanna Law Shuk-pui for the period from 1 January 2022 to 14 August 2023 and Angela Lee Chung-yan for the period from 28 August 2023 to 31 December 2023), each of whom was appointed Director by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance, were received by the HKSAR Government rather than by the individuals personally.

The director's fee in respect of Christopher Hui Ching-yu, being the Secretary for Financial Services and the Treasury of Government, was received by the HKSAR Government rather than by the individual personally.

Alternate Directors were not entitled to director's fees.

(ii) Restricted Shares and Performance Shares were granted to Members of the Executive Directorate under the Company's Executive Share Incentive Scheme. Performance Shares offered to Members of the Executive Directorate under such grants, in general, covered a period of three years from the date of grant. The entitlements of each of the Members of the Executive Directorate with vesting periods falling in the years ended 31 December 2023 and 2022, if any, are as follows:

- Jacob C P Kam was granted 120,000 Contract-end Restricted Shares on 1 April 2019, 47,400 Restricted Shares and 91,750 Performance Shares on 8 April 2019, 89,300 Restricted Shares on 8 April 2020, 52,750 Restricted Shares and 199,800 Performance Shares on 8 April 2021, 132,000 Contract-end Restricted Shares on 1 April 2022, 133,700 Restricted Shares on 8 April 2022, and 54,700 Restricted Shares on 11 April 2023, of which a total of 91,917 Restricted Shares were vested in 2023 (2022: 183,149 Restricted Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2023 was HK$8.3 million (2022: HK$8.8 million). No award shares were lapsed/forfeited in 2023 (2022: nil);

- Jeny M C Yeung was granted 16,350 Restricted Shares on 8 April 2019, 32,650 Restricted Shares on 8 April 2020, 17,200 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 46,000 Restricted Shares on 8 April 2022, and 25,100 Restricted Shares on 11 April 2023, of which a total of 31,950 Restricted Shares were vested in 2023 (2022: 22,066 Restricted Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2023 was HK$2.0 million (2022: HK$2.1 million). No award shares were lapsed/forfeited in 2023 (2022: nil);

- Margaret W C Cheng was granted 16,550 Restricted Shares on 8 April 2019, 32,450 Restricted Shares on 8 April 2020, 17,450 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 39,500 Restricted Shares on 8 April 2022, and 23,300 Restricted Shares on 11 April 2023, of which a total of 29,800 Restricted Shares were vested in 2023 (2022: 22,150 Restricted Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2023 was HK$1.9 million (2022: HK$2.0 million). No award shares were lapsed/forfeited in 2023 (2022: nil);

- Linda S M Choy was granted 13,500 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 32,200 Restricted Shares on 8 April 2022, and 17,550 Restricted Shares on 11 April 2023, of which a total of 15,233 Restricted Shares were vested in 2023 (2022: 4,500 Restricted Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2023 was HK$1.6 million (2022: HK$1.5 million). No award shares were lapsed/forfeited in 2023 (2022: nil);

- Carl M Devlin was granted 7,700 Restricted Shares and 7,300 Performance Shares on 8 April 2022, and 15,700 Restricted Shares on 11 April 2023, of which a total of 2,566 Restricted Shares were vested in 2023 (2022: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2023 was HK$0.5 million (for a period from his date of appointment as Member of the Executive Directorate to 31 December 2022: HK$0.2 million). No award shares were lapsed/forfeited in 2023 (2022: nil);

- Herbert L W Hui was granted 13,800 Restricted Shares on 8 April 2019, 29,050 Restricted Shares on 8 April 2020, 15,600 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 37,850 Restricted Shares on 8 April 2022, and 17,100 Restricted Shares on 11 April 2023, of which a total of 75,034 Restricted Shares were vested in 2023 (2022: 19,483 Restricted Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2023 was HK$2.6 million (2022: HK$1.9 million). No award shares were lapsed/forfeited in 2023 (2022: nil);

- Tony K Y Lee was granted 8,300 Restricted Shares on 8 April 2019, 15,500 Restricted Shares on 8 April 2020, 13,550 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 34,050 Restricted Shares on 8 April 2022, and 14,850 Restricted Shares on 11 April 2023, of which a total of 21,034 Restricted Shares were vested in 2023 (2022: 12,450 Restricted Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2023 was HK$1.6 million (2022: HK$1.7 million). No award shares were lapsed/forfeited in 2023 (2022: nil);

11 Remuneration of Members of the Board and the Executive Directorate *(continued)*

A Remuneration of Members of the Board and the Executive Directorate *(continued)*

- Gillian E Meller was granted 13,400 Restricted Shares on 8 April 2019, 27,000 Restricted Shares on 8 April 2020, 14,250 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 34,600 Restricted Shares on 8 April 2022, and 19,550 Restricted Shares on 11 April 2023, of which a total of 25,283 Restricted Shares were vested in 2023 (2022: 18,218 Restricted Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2023 was HK$1.7 million (2022: HK$1.8 million). No award shares were lapsed/forfeited in 2023 (2022: nil);

- David C F Tang was granted 17,200 Restricted Shares on 8 April 2019, 31,350 Restricted Shares on 8 April 2020, 17,200 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 46,000 Restricted Shares on 8 April 2022, and 25,100 Restricted Shares on 11 April 2023, of which a total of 31,516 Restricted Shares were vested in 2023 (2022: 21,917 Restricted Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2023 was HK$2.0 million (2022: HK$2.1 million). No award shares were lapsed/forfeited in 2023 (2022: nil);

- Sammy K W Wong was granted 7,650 Restricted Shares on 8 April 2020, 7,350 Restricted Shares and 10,100 Performance Shares on 8 April 2021, 8,050 Restricted Shares on 8 April 2022, and 16,400 Restricted Shares on 11 April 2023, of which a total of 7,683 Restricted Shares were vested in 2023, and the respective fair value of the share-based payments recognised for year ended 31 December 2023 was HK$0.6 million. No award shares were lapsed/forfeited in 2023;

- Adi T S Lau was granted 16,250 Restricted Shares on 8 April 2019, 39,100 Restricted Shares on 8 April 2020, 19,700 Restricted Shares and 47,850 Performance Shares on 8 April 2021, and 43,000 Restricted Shares on 8 April 2022, of which a total of 94,185 Restricted Shares were vested in 2022, and the respective fair value of the share-based payments recognised for the year ended 31 December 2022 was HK$4.2 million. No award shares were lapsed/forfeited in 2022; and

- Roger F Bayliss was granted 30,150 Performance Shares on 8 April 2019, 30,250 Restricted Shares on 8 April 2020, 15,050 Restricted Shares and 47,850 Performance Shares on 8 April 2021, and 35,400 Restricted Shares on 8 April 2022, of which a total of 70,617 Restricted Shares were vested in 2022, and the respective fair value of the share-based payments recognised for the year ended 31 December 2022 was HK$3.6 million. No award shares were lapsed/forfeited in 2022.

The details of the interest in the Company's shares of the Members of the Board and the Members of the Executive Directorate are disclosed in the Report of the Members of the Board and note 44.

(iii) For the years ended 31 December 2023 and 2022, the five individuals with the highest emoluments were Members of the Executive Directorate of the Company, whose emoluments are shown above.

(iv) The aggregate emoluments and share-based payments of Members of the Board and the Executive Directorate for the year was HK$130.7 million (2022: HK$130.6 million).

(v) The Company has a service contract with each of the independent non-executive Directors ("INED")/non-executive Directors ("NED") (excluding three additional directors appointed pursuant to Section 8 of the MTR Ordinance) specifying the terms of his/her continuous appointments as an INED/a NED and a Member of the relevant Board Committees and/or Advisory Panel, for a period not exceeding three years. He/she is also subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles of Association where applicable. Dr Rex P K Auyeung, the non-executive Chairman of the Company since 1 July 2019, was re-appointed by The Financial Secretary Incorporated ("FSI") on 7 March 2024 for an additional one-and-a-half-year term, extending to 31 December 2025.

B Award Shares

Award Shares granted, vested, lapsed and/or forfeited, and outstanding in respect of each Member of the Executive Directorate for the year ended 31 December 2023 are set out in the Report of the Members of the Board.

Under the Executive Share Incentive Scheme as described in note 44, all Members of the Executive Directorate may be granted an award of Restricted Shares and/or Performance Shares (collectively known as "Award Shares"). Restricted Shares are awarded on the basis of individual performance. Performance Shares are awarded every three years and vest subject to the performance of the Company over a pre-determined performance period, assessed with reference to such Board-approved performance metric and in respect of such performance period, and any other performance conditions, as determined by the Remuneration Committee from time to time.

Award Shares granted to the Members of the Executive Directorate under the Company's Executive Share Incentive Scheme are expensed as share-based payments under staff costs as set out in note 2U(iii). In accordance with that policy, staff costs are determined by reference to the fair value of the award shares granted, taking into account all non-vesting conditions associated with the grants and recognised over the relevant vesting periods, and includes adjustments to reverse amounts accrued in previous years where grants of Award Shares are lapsed/forfeited prior to vesting.

An award of Restricted Shares will vest ratably over three years in equal tranches (unless otherwise determined by the Remuneration Committee). An award of Performance Shares will vest upon certification by the Remuneration Committee that the relevant performance metric and performance conditions have been achieved.

12 Hong Kong Property Development Profit from Share of Surplus, Income and Interest in Unsold Properties

Hong Kong property development profit from share of surplus, income and interest in unsold properties comprises:

in HK$ million	**2023**	2022
Share of surplus, income and interest in unsold properties from property development	**2,335**	11,473
Agency fee and other income from West Rail property development (note 24C)	**8**	128
Overheads and miscellaneous studies	**(14)**	(12)
Hong Kong property development profit (pre-tax)	**2,329**	11,589
Hong Kong property development profit (post-tax)	**2,035**	10,413

For the year ended 31 December 2023, profit attributable to shareholders of the Company arising from Hong Kong property development of HK$2,035 million (2022: HK$10,413 million) represents Hong Kong property development profit of HK$2,329 million (2022: HK$11,589 million) and related income tax expenses of HK$294 million (2022: HK$1,176 million).

13 Gain/(Loss) from Fair Value Measurement of Investment Properties

Gain/(loss) from fair value measurement of investment properties comprises:

in HK$ million	**2023**	2022
Gain/(loss) from fair value remeasurement on investment properties	**26**	(3,076)
Gain from fair value measurement of investment properties on initial recognition from property development	**1,360**	2,266
	1,386	(810)

During the year ended 31 December 2023, investment property with a carrying value of HK$5.2 billion was initially recognised upon the receipt of a shopping mall from a property development project.

Taking into account the outstanding risks and obligations of HK$3.6 billion retained by the Group and HK$0.2 billion cost incurred/to be incurred by the Group in connection with this property development, in accordance with the Group's accounting policies (set out in note 2K), HK$1.4 billion was recognised as gain from fair value measurement of investment properties on initial recognition from property development in profit or loss for the year ended 31 December 2023. Deferred income of HK$3.6 billion retained was recognised in the Group's consolidated statement of financial position and included in "Creditors, other payables and provisions" (note 36).

The outstanding risks and obligations retained by the Group will be reassessed at the end of each reporting period. Any reduction in the amount of outstanding risks and obligations will be accounted for as a decrease in deferred income and a corresponding "Gain from fair value measurement of investment properties on initial recognition from property development" in profit or loss of that reporting period.

14 Depreciation and Amortisation

Depreciation and amortisation comprise:

in HK$ million	**2023**	2022
Depreciation charge relating to:		
– Owned property, plant and equipment	**3,727**	3,839
– Right-of-use assets	**350**	342
	4,077	4,181
Amortisation charge:		
– Amortisation charge relating to service concession assets and other intangible assets	**2,028**	1,853
– Utilisation of government subsidy for SZL4 operation	**–**	(265)
	2,028	1,588
	6,105	5,769

15 Interest and Finance Charges

in HK$ million	**2023**		2022	
Interest expenses in respect of:				
– Bank loans, overdrafts and capital market instruments	**1,816**		1,033	
– Obligations under service concession	**681**		688	
– Lease liabilities	**40**		44	
– Others	**28**		26	
Finance charges	**42**		43	
Exchange loss/(gain)	**82**		(253)	
		2,689		1,581
Utilisation of government subsidy for SZL4 operation		**–**		(35)
Derivative financial instruments:				
– Fair value hedges	**9**		17	
– Cash flow hedges:				
– transferred from hedging reserve to interest expenses	**(57)**		(26)	
– transferred from hedging reserve to offset exchange (loss)/gain	**(75)**		289	
– transferred from hedging reserve upon discontinuation of hedge accounting	**–**		(79)	
– Derivatives not qualified for hedge accounting	**17**		(13)	
		(106)		188
Interest expenses capitalised		**(667)**		(356)
		1,916		1,378
Interest income in respect of:				
– Deposits with banks	**(669)**		(316)	
– Others	**(108)**		(80)	
		(777)		(396)
		1,139		982

During the year ended 31 December 2023, interest expenses capitalised were calculated on a monthly basis at the pre-determined cost of borrowings and/or the relevant group companies' borrowing cost which varied from 3.1% to 4.0% per annum (2022: 2.1% to 3.3% per annum).

During the year ended 31 December 2022, interest and finance charges net of interest expenses capitalised in relation to the SZL4 were HK$43 million, which was offset by the subsidy received from the Shenzhen Municipal Government of HK$35 million.

During the year ended 31 December 2023, the loss resulting from fair value changes of the underlying financial assets and liabilities being hedged under fair value hedge was HK$90 million (2022: gain of HK$497 million) while the gain resulting from fair value changes of hedging instruments comprising interest rate and cross currency swaps was HK$81 million (2022: loss of HK$514 million), thus resulting in a net loss of HK$9 million (2022: HK$17 million).

16 Income Tax in the Consolidated Statement of Profit or Loss

A Income tax in the consolidated statement of profit or loss represents:

in HK$ million	**2023**	2022
Current tax		
– Hong Kong Profits Tax	**610**	989
– Tax outside Hong Kong	**377**	413
	987	1,402
Deferred tax		
– Origination and reversal of temporary differences on:		
– tax losses	**68**	(44)
– depreciation allowances in excess of related depreciation	**638**	383
– revaluation of properties	**(34)**	3
– provisions and others	**(102)**	(152)
– right-of-use assets	**4**	(11)
– lease liabilities	**14**	27
	588	206
	1,575	1,608

(i) Except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime in Hong Kong, the provision for Hong Kong Profits Tax for the year ended 31 December 2023 is calculated at 16.5% (2022: 16.5%) on the estimated assessable profits for the year after deducting accumulated tax losses brought forward, if any. Under the two-tiered Profits Tax rate regime, the Company's first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated on the same basis in 2023 and 2022.

Current taxes for subsidiaries outside Hong Kong are charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant Mainland China tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions. During the year ended 31 December 2023, Land Appreciation Tax (before tax effect on deduction of Corporate Income Tax) of HK$nil (2022: HK$51 million) was charged to profit or loss.

Provision for deferred tax on temporary differences arising in Hong Kong is calculated at the Hong Kong Profits Tax rate at 16.5% (2022: 16.5%), while that arising outside Hong Kong is calculated at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(ii) Since the Rail Merger in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of the amortisation of upfront payment and cut-over liabilities, and fixed annual payments and variable annual payments relating to the Rail Merger (collectively "the Sums"). The total tax amount in respect of the Sums for the years of tax assessment from 2007/2008 to 2023/2024 amounted to HK$5.1 billion. As disclosed in previous years, the Inland Revenue Department of Hong Kong ("IRD") issued notices of profits tax assessments/additional profits tax assessments for the years of assessment from 2009/2010 to 2017/2018 disallowing deduction of the Sums in the computation of the Company's assessable profits. Based on the strength of advice from the external legal counsels and tax advisor, the Company has lodged objections against these tax assessments (regarding the deductibility of the Sums) and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover of the additional tax demanded subject to the purchases of tax reserve certificates ("TRCs") amounting to HK$2.3 billion. The Company has purchased the required TRCs and the additional tax demanded has been held over by IRD. The purchases of TRCs do not prejudice the Company's tax position and the purchased TRCs were included in "Debtors and other receivables" in the Group's consolidated statement of financial position.

On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing with the objections lodged by the Company and confirming profits tax assessment/additional profits tax assessments in respect of the Sums in dispute for the years of assessment from 2011/2012 to 2017/2018 (i.e. holding that the Sums are not deductible in the computation of the Company's assessable profits for those years of assessment). The Company re-affirmed the case with the external legal counsel who advised the Company previously and the tax advisor, and obtained further advice from another external legal counsel. Based on the advice from the external legal counsels and tax advisor, the directors of the Company believe that the Company has strong legal grounds and have determined to contest and appeal against the assessments for the years of assessment from 2011/2012 to 2017/2018. Accordingly, the Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022.

After discussing with the external legal counsels and tax advisor on the approach to the appeal, the Company decided not to pursue its deduction claims in respect of the amortisation of upfront payment and cut-over liabilities during the opening submission before Board of Review. As the Company had already made the related tax provision for the amortisation of upfront payment and cut-over liabilities in the past years taking into account the uncertainty in their tax deductibility, no additional tax provision is required. The hearing of appeal was held before the Board of Review in early 2024. As at the date of this annual report, the Board of Review has yet to hand down its decision.

16 Income Tax in the Consolidated Statement of Profit or Loss *(continued)*

B Reconciliation between tax expense and accounting profit or loss at applicable tax rates:

	2023		2022	
	HK$ million	%	HK$ million	%
Profit before taxation	**9,663**		11,749	
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**1,561**	**16.2**	1,925	16.4
Land Appreciation Tax (net of tax effect on deduction of Corporate Income Tax)	**–**	**–**	38	0.3
Tax effect of non-deductible expenses	**305**	**3.1**	869	7.4
Tax effect of non-taxable revenue	**(555)**	**(5.7)**	(1,341)	(11.4)
Tax effect of unused tax losses not recognised	**276**	**2.8**	118	1.0
Utilisation of tax losses previously not recognised	**(12)**	**(0.1)**	(1)	–
Actual tax expenses	**1,575**	**16.3**	1,608	13.7

C Pillar Two Income Taxes

The Group operates in Australia, Sweden and the United Kingdom, where these jurisdictions have enacted or substantially enacted new tax laws to implement the Pillar Two model rules published by the OECD. The new tax laws will take effect from 1 January 2024 in these jurisdictions. When these laws take effect, the Group does not expect to be subject to any top-up tax in these jurisdictions in the year 2024 in relation to its operations in these jurisdictions, since their respective local statutory tax rates are higher than 15%. As the new tax laws are not yet effective, the Group does not recognise any current tax relating to the Pillar Two model rules for the year ended 31 December 2023.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and would account for the tax as current tax when incurred (see note 2A(iii)(a)).

If the new tax laws have been applied in Australia, Sweden and the United Kingdom for the year 2023, the Group would not have been subject to any top-up tax for the year ended 31 December 2023. This is because the average effective tax rates for the Group's operations in these jurisdictions exceeded 15%, or the operations were in tax loss positions.

17 Dividends

Ordinary dividends to shareholders of the Company are as follows:

in HK$ million	**2023**	2022
Ordinary dividends attributable to the year		
– Interim ordinary dividend declared and paid of HK$0.42 (2022: HK$0.42) per share	**2,610**	2,604
– Final ordinary dividend proposed after the end of the reporting period of HK$0.89 (2022: HK$0.89) per share	**5,533**	5,520
	8,143	8,124
Ordinary dividends attributable to the previous year		
– Final ordinary dividend of HK$0.89 (2022: HK$1.02 per share attributable to year 2021) per share approved and paid during the year	**5,520**	6,317

The 2023 final ordinary dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

For 2023 final ordinary dividend, the Board proposed that a scrip dividend option will be offered to all shareholders of the Company whose names appeared on the register of members of the Company as at the close of business on 31 May 2024 (except for those with registered addresses in New Zealand or the United States of America or any of its territories or possessions).

Details of ordinary dividends paid to the FSI are disclosed in note 47P.

18 Earnings Per Share

A Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the year ended 31 December 2023 of HK$7,784 million (2022: HK$9,827 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme, which is calculated as follows:

	2023	2022
Issued ordinary shares at 1 January	**6,202,060,784**	6,193,462,514
Effect of scrip dividend issued	**6,203,749**	3,237,016
Less: Shares held for Executive Share Incentive Scheme	**(6,164,436)**	(5,797,375)
Weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the year	**6,202,100,097**	6,190,902,155

B Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company for the year ended 31 December 2023 of HK$7,784 million (2022: HK$9,827 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme after adjusting for the dilutive effect of the Company's Executive Share Incentive Scheme, which is calculated as follows:

	2023	2022
Weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the year	**6,202,100,097**	6,190,902,155
Effect of shares awarded under Executive Share Incentive Scheme	**6,214,868**	5,895,643
Weighted average number of ordinary shares (diluted) during the year	**6,208,314,965**	6,196,797,798

C Both basic and diluted earnings per share would have been HK$1.03 (2022: HK$1.72), if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK$6,364 million (2022: HK$10,637 million).

19 Other Comprehensive Income/(Loss)

A Tax effects relating to each component of other comprehensive income/(loss) of the Group are shown below:

	2023			2022		
in HK$ million	Before-tax amount	Tax (expenses)/ credit	Net-of-tax amount	Before-tax amount	Tax (expenses)/ credit	Net-of-tax amount
Exchange differences on translation of:						
– Financial statements of subsidiaries, associates and joint ventures outside Hong Kong	**(378)**	**–**	**(378)**	(1,713)	–	(1,713)
– Non-controlling interests	**26**	**–**	**26**	(11)	–	(11)
	(352)	**–**	**(352)**	(1,724)	–	(1,724)
Surplus on revaluation of self-occupied buildings	**29**	**(5)**	**24**	52	(9)	43
Remeasurement of net asset/liability of defined benefit schemes	**(247)**	**53**	**(194)**	(155)	38	(117)
Cash flow hedges: net movement in hedging reserve (note 19B)	**(728)**	**120**	**(608)**	99	(17)	82
Other comprehensive (loss)/income	**(1,298)**	**168**	**(1,130)**	(1,728)	12	(1,716)

19 Other Comprehensive Income/(Loss) *(continued)*

B The components of other comprehensive income/(loss) of the Group relating to cash flow hedges are as follows:

in HK$ million	**2023**	2022
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	**(621)**	(111)
Amounts transferred to profit or loss during the year:		
– Interest and finance charges (note 15)	**(132)**	184
– Other expenses	**25**	26
	(728)	99
Tax effect resulting from:		
– Effective portion of changes in fair value of hedging instruments recognised during the year	**102**	18
– Amounts transferred to profit or loss during the year	**18**	(35)
	(608)	82

20 Investment Properties and Other Property, Plant and Equipment

A Investment Properties

Movements of the Group's investment properties, all of which being held in Hong Kong and Mainland China and carried at fair value, are as follows:

in HK$ million	**2023**	2022
At 1 January	**91,671**	84,801
Additions*	**6,517**	9,977
Fair value remeasurement on investment properties (note 13)	**26**	(3,076)
Exchange loss	**(9)**	(31)
At 31 December	**98,205**	91,671

* Additions for the year include the fair value measurement of investment properties on initial recognition from property development of HK$5,211 million (2022: HK$9,186 million) (note 13) and the amount transferred from deferred expenditure of HK$92 million (2022: HK$398 million).

All investment properties of the Group were remeasured at 31 December 2023 and 2022. Details of the fair value measurement are disclosed in note 43. Investment properties in Hong Kong and Mainland China are remeasured semi-annually by independent firms of surveyor, Colliers International (Hong Kong) Limited and Cushman & Wakefield Limited respectively. Future market condition changes may result in further gains or losses to be recognised through the consolidated statement of profit or loss in future periods.

Included in the Group's investment properties as at 31 December 2023 was HK$316 million (2022: HK$459 million) relating to properties in Mainland China.

20 Investment Properties and Other Property, Plant and Equipment *(continued)*

B Other Property, Plant and Equipment

in HK$ million	Leasehold land	Self-occupied buildings	Civil works	Plant and equipment	Assets under construction	Total
2023						
Cost or Valuation						
At 1 January 2023	**1,765**	**4,089**	**62,382**	**93,565**	**12,059**	**173,860**
Additions	**–**	**97**	**–**	**254**	**5,549**	**5,900**
Disposals/write-offs	**–**	**(84)**	**(1)**	**(1,579)**	**(12)**	**(1,676)**
Loss on revaluation	**–**	**(123)**	**–**	**–**	**–**	**(123)**
Capitalisation adjustments*	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Transfer to Services Concession Assets (note 21)	**–**	**–**	**1**	**(5)**	**(10)**	**(14)**
Reclassification within other property, plant and equipment	**–**	**–**	**107**	**(100)**	**(7)**	**–**
Reclassified as disposal group held for sale (note 49)	**–**	**(51)**	**–**	**(558)**	**(1)**	**(610)**
Other assets commissioned	**–**	**–**	**13**	**2,664**	**(2,677)**	**–**
Exchange differences	**–**	**10**	**–**	**58**	**–**	**68**
At 31 December 2023	**1,765**	**3,938**	**62,502**	**94,296**	**14,901**	**177,402**
At Cost	**1,765**	**415**	**62,502**	**94,296**	**14,901**	**173,879**
At 31 December 2023 Valuation	**–**	**3,523**	**–**	**–**	**–**	**3,523**
Accumulated depreciation						
At 1 January 2023	**476**	**269**	**10,956**	**59,862**	**–**	**71,563**
Charge for the year	**34**	**236**	**603**	**3,204**	**–**	**4,077**
Written back on disposals	**–**	**(64)**	**(1)**	**(1,540)**	**–**	**(1,605)**
Written back on revaluation	**–**	**(152)**	**–**	**–**	**–**	**(152)**
Reclassified as disposal group held for sale (note 49)	**–**	**(39)**	**–**	**(215)**	**–**	**(254)**
Exchange differences	**–**	**11**	**–**	**41**	**–**	**52**
At 31 December 2023	**510**	**261**	**11,558**	**61,352**	**–**	**73,681**
Net book value at 31 December 2023	**1,255**	**3,677**	**50,944**	**32,944**	**14,901**	**103,721**
2022						
Cost or Valuation						
At 1 January 2022	1,765	4,201	62,275	91,493	10,036	169,770
Additions	–	55	–	555	4,499	5,109
Disposals/write-offs	–	(31)	–	(618)	(8)	(657)
Loss on revaluation	–	(97)	–	–	–	(97)
Capitalisation adjustments*	–	–	(1)	–	–	(1)
Transfer to Services Concession Assets (note 21)	–	–	–	(6)	(17)	(23)
Other assets commissioned	–	–	108	2,339	(2,447)	–
Exchange differences	–	(39)	–	(198)	(4)	(241)
At 31 December 2022	1,765	4,089	62,382	93,565	12,059	173,860
At Cost	1,765	443	62,382	93,565	12,059	170,214
At 31 December 2022 Valuation	–	3,646	–	–	–	3,646
Accumulated depreciation						
At 1 January 2022	442	234	10,429	57,148	–	68,253
Charge for the year	34	231	527	3,389	–	4,181
Written back on disposals	–	(31)	–	(563)	–	(594)
Written back on revaluation	–	(149)	–	–	–	(149)
Exchange differences	–	(16)	–	(112)	–	(128)
At 31 December 2022	476	269	10,956	59,862	–	71,563
Net book value at 31 December 2022	1,289	3,820	51,426	33,703	12,059	102,297

* Capitalisation adjustments related to adjustments on the cost of assets to their final contract values after finalisation of contracts.

20 Investment Properties and Other Property, Plant and Equipment *(continued)*

C Right-of-use Assets

At 31 December 2023 and 2022, the analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

in HK$ million	Note	2023	2022
Ownership interests in leasehold land held for own use, with remaining lease term of:	(i)		
– less than 50 years		**1,255**	1,289
Ownership interests in self-occupied buildings held for own use, with remaining lease term of:	(i)		
– less than 50 years		**3,523**	3,646
Other self-occupied buildings leased for own use, with remaining lease term of:	(ii)		
– less than 10 years		**154**	174
Plant and equipment leased, with remaining lease term of:	(iii)		
– between 10 and 50 years		**284**	318
– less than 10 years		**136**	379
		5,352	5,806
Ownership interests in leasehold investment properties, with remaining lease term of:			
– 50 years or more		**14**	14
– less than 50 years		**98,069**	91,450
		98,083	91,464
Other leasehold investment property, with remaining lease term of:			
– less than 10 years		**122**	207
		98,205	91,671
		103,557	97,477

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

in HK$ million	2023	2022
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land held for own use	**34**	34
Ownership interests in self-occupied buildings held for own use	**152**	149
Other self-occupied buildings leased for own use	**84**	82
Plant and equipment leased	**80**	77
	350	342
Interest on lease liabilities	**40**	44
Expense relating to short-term leases	**14**	12
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**13**	34

During the year, additions to right-of-use assets were HK$6,682 million (2022: HK$10,409 million). This amount primarily related to additions of investment properties, including fair value measurement of investment properties on initial recognition from property development (note 13).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 42C and 35D, respectively.

20 Investment Properties and Other Property, Plant and Equipment *(continued)*

C Right-of-use Assets *(continued)*

(i) Ownership Interests in Leasehold Land and Buildings Held for Own Use

The lease of the land on which civil works as well as plant and equipment are situated for Hong Kong transport operations was granted to the Company under a running line lease which is coterminous with the Company's franchise to operate the mass transit railway under the Operating Agreement (notes 47A, 47B and 47C).

Under the terms of the lease, the Company undertakes to keep and maintain all the leased areas, including underground and overhead structures, at its own cost. With respect to parts of the railway situated in structures where access is shared with other users, such as the Lantau Fixed Crossing, the Company's obligation for maintenance is limited to the railway only. All maintenance costs incurred under the terms of the lease have been dealt with as expenses relating to Hong Kong transport operations in the consolidated statement of profit or loss.

All self-occupied buildings of the Group in Hong Kong are carried at fair value. The details of the fair value measurement are disclosed in note 43. The revaluation surplus of HK$29 million (2022: HK$52 million) and the related deferred tax expenses of HK$5 million (2022: HK$9 million) has been recognised in other comprehensive income/loss and accumulated in the fixed assets revaluation reserve (note 41C). The carrying amount of the self-occupied buildings at 31 December 2023 would have been HK$587 million (2022: HK$613 million) had the buildings been stated at cost less accumulated depreciation.

(ii) Other Self-occupied Buildings Leased for Own Use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 4 to 7 years.

(iii) Other Leases

The Group leases plant and equipment under leases expiring from 2 to 20 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

D Properties Leased Out under Operating Leases

The Group leases out investment properties and station kiosks, including duty free shops, under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date, at which time all terms will be renegotiated. Lease payments are adjusted periodically to reflect market rentals. Certain leases carry additional rental based on turnover, some of which are with reference to thresholds. Lease incentives granted are amortised in the consolidated statement of profit or loss as an integral part of the net lease payment receivable.

The gross carrying amount of investment properties of the Group held for use in operating leases were HK$98,205 million (2022: HK$91,671 million). The costs of station kiosks of the Group held for use in operating leases were HK$961 million (2022: HK$905 million) and the related accumulated depreciation charges were HK$606 million (2022: HK$576 million).

Total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

in HK$ million	**2023**	2022
Within 1 year	**6,869**	6,355
After 1 year but within 2 years	**5,365**	4,707
After 2 years but within 3 years	**2,708**	3,274
After 3 years but within 4 years	**1,153**	1,448
After 4 years but within 5 years	**491**	798
After 5 years	**340**	472
	16,926	17,054

20 Investment Properties and Other Property, Plant and Equipment *(continued)*

E In March 2003, the Group entered into a series of structured transactions with unrelated third parties to lease out and lease back certain of its passenger cars ("Lease Transaction") involving a total original cost of HK$2,562 million and a total net book value of HK$1,674 million as at 31 March 2003. Under the Lease Transaction, the Group has leased the assets to institutional investors in the United States (the "Investors"), who have prepaid all the rentals in relation to the lease agreement. Simultaneously, the Group has leased the assets back from the Investors based on terms ranging from 21 to 29 years with an obligation to pay rentals in accordance with a pre-determined payment schedule. The Group has an option to purchase the Investors' leasehold interest in the assets at the expiry of the lease term for fixed amounts. Part of the rental prepayments received from the Investors has been invested in debt securities to meet the Group's rental obligations and the amount payable for exercising the purchase option under the Lease Transaction. The Group has an obligation to replace these debt securities with other debt securities in the event those securities do not meet certain credit ratings requirements. In addition, the Group has provided standby letters of credit to the Investors to cover additional amounts payable by the Group in the event the transactions are terminated prior to the expiry of the lease terms.

The Group retains legal title to the assets and there are no restrictions on the Group's ability to utilise these assets in the operation of the railway business.

As a result of the Lease Transaction, an amount of approximately HK$3,688 million was received in an investment account and was used to purchase debt securities ("Defeasance Securities") to be used to settle the long-term lease payments with an estimated net present value of approximately HK$3,533 million in March 2003. This resulted in the Group having received in 2003 an amount of HK$141 million net of costs. As the Group is not able to control the investment account in pursuit of its own objectives and its obligations to pay the lease payments are funded by the proceeds of the above investments, those obligations and investments in the Defeasance Securities were not recognised in March 2003 as liabilities and assets of the Group. The net amount of cash received was accounted for as deferred income by the Group and amortised to the consolidated statement of profit or loss over the lease period until 2008, when credit ratings of some of these Defeasance Securities were downgraded and subsequently replaced by standby letters of credit, the charge on which had fully offset the remaining balance of the deferred income.

21 Service Concession Assets

Movements and analysis of the Group's service concession assets are as follows:

	KCRC Rail Merger								
in HK$ million	Initial concession property	Additional concession property	Additional concession property (High Speed Rail)	Additional concession property (Shatin to Central Link)	Shenzhen Metro Line 4	Shenzhen Metro Line 13	MTR Nordic	London Elizabeth Line	Total
2023									
Cost									
At 1 January 2023	**15,226**	**24,728**	**345**	**249**	**8,403**	**1,816**	**69**	**54**	**50,890**
Net additions during the year	**–**	**2,535**	**139**	**99**	**78**	**429**	**–**	**–**	**3,280**
Disposals	**–**	**(199)**	**–**	**(1)**	**(106)**	**–**	**–**	**–**	**(306)**
Transfer from other property, plant and equipment (note 20)	**–**	**6**	**–**	**8**	**–**	**–**	**–**	**–**	**14**
Exchange differences	**–**	**–**	**–**	**–**	**(151)**	**48**	**–**	**–**	**(103)**
At 31 December 2023	**15,226**	**27,070**	**484**	**355**	**8,224**	**2,293**	**69**	**54**	**53,775**
Accumulated amortisation and impairment loss									
At 1 January 2023	**4,594**	**5,890**	**51**	**12**	**4,706**	**–**	**62**	**52**	**15,367**
Amortisation charge for the year	**304**	**1,413**	**37**	**15**	**255**	**–**	**1**	**2**	**2,027**
Written-off on disposals	**–**	**(161)**	**–**	**–**	**(63)**	**–**	**–**	**–**	**(224)**
Exchange differences	**–**	**–**	**–**	**–**	**(105)**	**–**	**–**	**–**	**(105)**
At 31 December 2023	**4,898**	**7,142**	**88**	**27**	**4,793**	**–**	**63**	**54**	**17,065**
Net book value at 31 December 2023	**10,328**	**19,928**	**396**	**328**	**3,431**	**2,293**	**6**	**–**	**36,710**

21 Service Concession Assets *(continued)*

in HK$ million	KCRC Rail Merger: Initial concession property	KCRC Rail Merger: Additional concession property	Additional concession property (High Speed Rail)	Additional concession property (Shatin to Central Link)	Shenzhen Metro Line 4	Shenzhen Metro Line 13	MTR Nordic	London Elizabeth Line	Total
2022									
Cost									
At 1 January 2022	15,226	22,130	249	160	9,212	925	78	60	48,040
Net additions during the year	–	2,922	96	86	95	956	1	–	4,156
Disposals	–	(337)	–	(7)	(141)	–	–	–	(485)
Transfer from other property, plant and equipment (note 20)	–	13	–	10	–	–	–	–	23
Exchange differences	–	–	–	–	(763)	(65)	(10)	(6)	(844)
At 31 December 2022	15,226	24,728	345	249	8,403	1,816	69	54	50,890
Accumulated amortisation and impairment loss									
At 1 January 2022	4,289	5,015	23	3	3,876	–	69	51	13,326
Amortisation charge for the year	305	1,185	28	10	317	–	2	6	1,853
Impairment loss	–	–	–	–	962	–	–	–	962
Written-off on disposals	–	(310)	–	(1)	(79)	–	–	–	(390)
Exchange differences	–	–	–	–	(370)	–	(9)	(5)	(384)
At 31 December 2022	4,594	5,890	51	12	4,706	–	62	52	15,367
Net book value at 31 December 2022	10,632	18,838	294	237	3,697	1,816	7	2	35,523

A Initial concession property relates to the payments recognised at inception of the Rail Merger with KCRC while additional concession property relates to the expenditures for the upgrade of the initial concession property after inception of the Rail Merger. Additional concession property (High Speed Rail) and additional concession property (Shatin to Central Link) relate to the expenditures for the upgrade of the concession property of High Speed Rail and Shatin to Central Link respectively.

B SZL4 forms part of the Shenzhen Metro, which is operated by a wholly owned subsidiary, MTR Corporation (Shenzhen) Limited ("MTRSZ"). In July 2020, the Shenzhen Municipal Government announced that a fare adjustment framework for the Shenzhen Metro network would come into effect on 1 January 2021. The framework was expected to enable the establishment of a mechanism for fare setting and the implementation procedures for fare adjustments. Up to 31 December 2023, there has been no increase in SZL4's fare since MTRSZ started operating the line in 2010 whilst the operating costs continue to rise. As disclosed in previous years, if a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

At 30 June 2022, as it was anticipated that the mechanism and procedures for fare adjustments will take longer time to implement and patronage will remain at a lower level for a period of time, an impairment test was performed for SZL4, which carried a book value of HK$4,589 million, and the corresponding recoverable amount was determined at HK$3,627 million as at 30 June 2022. As such, an impairment provision of HK$962 million was recognised for the SZL4 service concession assets in the consolidated statement of profit or loss for the six months ended 30 June 2022. The recoverable amount for impairment had been determined based on a value in use calculation covering the remaining service concession period. An estimated pre-tax discount rate of 9.2% was used in estimating SZL4's value in use as at 30 June 2022.

Based on the review performed by the Group as at 31 December 2023 and 31 December 2022, no further impairment loss was recognised as at 31 December 2023 and 31 December 2022.

C On 30 October 2020, MTR CREC Metro (Shenzhen) Company Ltd., a subsidiary of the Company, signed the Project Concession Agreement with the Shenzhen Municipal Government for a Build-Operate-Transfer ("BOT") project in respect of the construction of SZL13 and the operation of SZL13 for a term of 30 years. Accordingly, the fair value of construction services rendered during the year ended 31 December 2023 of HK$429 million (2022: HK$956 million) was capitalised as service concession assets by reference to the stage of completion at the end of the reporting period.

Total capital cost for the project is estimated at RMB4.9 billion (HK$5.4 billion). As at 31 December 2023, the Group has incurred cumulative expenditure of RMB2.1 billion (HK$2.3 billion) and has authorised outstanding commitments totalling RMB2.8 billion (HK$3.1 billion) in relation to the project which are included in capital commitment (note 48A).

22 Railway Construction Projects under Entrustment by the HKSAR Government

A Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("High Speed Rail" or "HSR") Project

(a) Entrustment Agreements

The HKSAR Government and the Company entered into the HSR Preliminary Entrustment Agreement in 2008, and the HSR Entrustment Agreement in 2010 (together, the "**Entrustment Agreements**"), in relation to the HSR.

Pursuant to the HSR Preliminary Entrustment Agreement, the HKSAR Government is obligated to pay the Company the Company's in-house design costs and certain on-costs, preliminary costs and staff costs.

Pursuant to the HSR Entrustment Agreement, the Company is responsible for carrying out or procuring the carrying out of the agreed activities for the planning, design, construction, testing and commissioning of the HSR and the HKSAR Government, as owner of HSR, is responsible for bearing and financing the full amount of the total cost of such activities (the "**Entrustment Cost**") and for paying to the Company a fee in accordance with an agreed payment schedule (the "**HSR Project Management Fee**") (subsequent amendments to these arrangements are described below).

The HKSAR Government has the right to claim against the Company if the Company breaches the HSR Entrustment Agreement (including, if the Company breaches the warranties it gave in respect of its project management services) and, under the HSR Entrustment Agreement, to be indemnified by the Company in relation to losses suffered by the HKSAR Government as a result of any negligence of the Company in performing its obligations under the HSR Entrustment Agreement or any breach of the HSR Entrustment Agreement by the Company. Under the HSR Entrustment Agreement, the Company's total aggregate liability to the HKSAR Government arising out of or in connection with the Entrustment Agreements (other than for death or personal injury) is subject to a cap equal to the total of HSR Project Management Fee and any other fees that the Company receives under the HSR Entrustment Agreement and certain fees received by the Company under the HSR Preliminary Entrustment Agreement (the "**Liability Cap**"). In accordance with general principles of law, such Liability Cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has reserved the right to refer to arbitration the question of the Company's liability for the Current Cost Overrun (as defined hereunder) (if any) under the HSR Preliminary Entrustment Agreement and the HSR Entrustment Agreement (as more particularly described in note 22A(b)(v) below), up to the date of this annual report, no formal claim has been received from the HKSAR Government. The HKSAR Government has recently informed the Company of a number of areas of interest to it arising out of the Company's performance under the HSR Entrustment Agreements ("**Areas of Interest**") for which the HKSAR Government is seeking further information and explanations from the Company. The Company is in the process of reviewing such Areas of Interest and will, following such review, enter into a dialogue with the HKSAR Government with a view to addressing such Government Areas of Interest.

(b) HSR Agreement

In 2015, as a result of the HSR programme being extended to the third quarter of 2018 and the Company and the HKSAR Government reaching agreement for revising the estimate project cost to HK$84.42 billion (the "**Revised Cost Estimate**"), the HKSAR Government and the Company entered into an agreement (the "**HSR Agreement**") relating to the further funding and completion of the HSR (and which made certain changes to the HSR Entrustment Agreement) which was subsequently approved by the Company's independent shareholders at an extraordinary general meeting, and the Legislative Council approved the HKSAR Government's additional funding obligations, during 2016. Pursuant to the HSR Agreement:

(i) The HKSAR Government will bear and finance the project cost up to HK$84.42 billion, which includes an increase in the project cost by the amount of HK$19.42 billion being the "**Current Cost Overrun**";

(ii) The Company will, if the project cost exceeds HK$84.42 billion, bear and finance the portion of the project cost which exceeds that sum (if any) (the "**Further Cost Overrun**") except for certain agreed excluded costs (namely, additional costs arising from changes in law, force majeure events or any suspension of construction contracts specified in the HSR Agreement);

(iii) The Company would pay a special dividend in cash of HK$4.40 in aggregate per share in two tranches in 2016 and 2017;

(iv) The HSR Project Management Fee increases from HK$4.59 billion to HK$6.34 billion. Consequently, the Liability Cap increases from up to HK$4.94 billion to up to HK$6.69 billion; and

(v) The HKSAR Government reserves the right to refer to arbitration the question of the Company's liability for the Current Cost Overrun (if any) under the Entrustment Agreements (including any question the HKSAR Government may have regarding the validity of the Liability Cap). The Entrustment Agreements contain dispute resolution mechanisms which include the right to refer a dispute to arbitration. If the arbitrator does not determine that the Liability Cap is invalid and determines that, but for the Liability Cap, the Company's liability under the Entrustment Agreements for the Current Cost Overrun would exceed the Liability Cap, the Company shall:

- bear such amount as is awarded to the HKSAR Government up to the Liability Cap;
- seek the approval of its independent shareholders, at another General Meeting (at which the FSI, the HKSAR Government and their Close Associates and Associates and the Exchange Fund will be required to abstain from voting), for the Company to bear the excess liability; and
- if the approval of the independent shareholders (referred to immediately above) is obtained, pay the excess liability to the HKSAR Government. If such approval is not obtained, the Company will not make such payment to the HKSAR Government.

22 Railway Construction Projects under Entrustment by the HKSAR Government *(continued)*

A Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("High Speed Rail" or "HSR") Project *(continued)*

(c) As at 31 December 2023, the Company has not made any provision in its consolidated financial statements in respect of:

(i) any possible liability of the Company for any Further Cost Overrun (if any), given the Company does not currently believe based on information available to date there is any need to revise further the Revised Cost Estimate;

(ii) any possible liability of the Company that may be determined in accordance with any arbitration that may take place (as more particularly described in note 22A(b)(v) above), given that (a) the Company has not received any notification from the HKSAR Government of any formal claim by the HKSAR Government against the Company or of any referral by the HKSAR Government to arbitration as of 31 December 2023 and up to the date of this annual report and the eventual outcome of any dialogue between the Company and the HKSAR Government on the Areas of Interest remains highly uncertain at the current stage; (b) the Company has the benefit of the Liability Cap; and (c) as a result of the HSR Agreement, the Company will not make any payment to the HKSAR Government in excess of the Liability Cap pursuant to a determination of the arbitrator without the approval of its independent shareholders; and where applicable, because the Company is not able to measure with sufficient reliability the amount of the Company's obligation or liability (if any).

B Shatin to Central Link ("SCL") Project

(a) SCL Agreements

The Company and the HKSAR Government entered into the SCL Preliminary Entrustment Agreement ("**SCL EA1**") in 2008, the SCL Advance Works Entrustment Agreement ("**SCL EA2**") in 2011, and the SCL Entrustment Agreement ("**SCL EA3**") in 2012 (together, the "**SCL Agreements**"), in relation to the SCL.

Pursuant to the SCL EA1, the Company is responsible for carrying out or procuring the carrying out of the design, site investigation and procurement activities while the HKSAR Government is responsible for funding directly the total cost of such activities.

Pursuant to the SCL EA2, the Company is responsible for carrying out or procuring the carrying out of the agreed works while the HKSAR Government is responsible for bearing and paying to the Company all the work costs ("**EA2 Advance Works Costs**"). The EA2 Advance Works Costs and the Interface Works Costs (as described below) are reimbursable by the HKSAR Government to the Company. During the year ended 31 December 2023, HK$84 million (2022: HK$153 million) of such costs were incurred by the Company, which are payable by the HKSAR Government. As at 31 December 2023, the amount of such costs which remained outstanding from the HKSAR Government was HK$144 million (31 December 2022: HK$209 million).

The SCL EA3 was entered into in 2012 for the construction and commissioning of the SCL. The HKSAR Government is responsible for bearing all the work costs specified in the SCL EA3 including costs to contractors and costs to the Company ("**Interface Works Costs**") (which the Company would pay upfront and recover from the HKSAR Government) except for certain costs of modification, upgrade or expansions of certain assets (including rolling stock, signalling, radio and main control systems) for which the Company is responsible under the existing service concession agreement with KCRC. The Company will contribute an amount in respect of the costs relating to such modifications, upgrades or expansions. This will predominantly be covered by the reduction in future maintenance capital expenditure which the Company would have otherwise incurred. The total sum entrusted to the Company by the HKSAR Government for the main construction works under the SCL EA3, including project management fee, was HK$70,827 million ("**Original Entrusted Amount**").

The Company is responsible for carrying out or procuring the carrying out of the works specified in the SCL Agreements for a project management fee of HK$7,893 million (the "**Original PMC**") which has been fully received by the Company and recognised in the consolidated statement of profit or loss in previous years.

(b) SCL EA3 Cost Overrun

(i) Cost to Complete

The Company has previously announced that, due to the continuing challenges posed by external factors, including issues such as delays due to the discovery of archaeological relics, the HKSAR Government's requests for additional scope and late or incomplete handover of construction sites, the Original Entrusted Amount under SCL EA3 would not be sufficient to cover the total estimated cost to complete ("**CTC**") and would need to be revised upwards significantly. After carrying out detailed reviews of the estimated CTC for the main construction works, on 10 February 2020, the Company submitted a revised estimated total CTC of HK$82,999 million ("**2020 CTC Estimate**"), including additional project management fee payable to the Company of HK$1,371 million ("**Additional PMC**"), being the additional cost to the Company of carrying out its remaining project management responsibilities under the SCL EA3, as detailed in note 22B(b)(ii) below but excluding the Hung Hom Incidents Related Costs in respect of which the Company had already recognised a provision of HK$2 billion in its consolidated statement of profit or loss for the year ended 31 December 2019 (as detailed in note 22B(c)(ii) below). The 2020 CTC Estimate represents an increase of HK$12,172 million from the Original Entrusted Amount of HK$70,827 million.

The HKSAR Government obtained the approval from Legislative Council on 12 June 2020 for additional funding required for the SCL Project amounting to HK$10,801 million ("**Additional Funding**") so that the SCL can be completed.

22 Railway Construction Projects under Entrustment by the HKSAR Government *(continued)*

B Shatin to Central Link ("SCL") Project *(continued)*

(ii) Provision for Additional PMC

As detailed in note 22B(b)(i) above and as previously disclosed by the Company, the programme for the delivery of the SCL Project has been significantly impacted by certain key external events. Not only do these matters increase the cost of works, they also increase the cost to the Company of carrying out its project management responsibilities under the relevant SCL entrustment agreement, which is estimated to be around HK$1,371 million.

The Additional Funding approved by the Legislative Council did not include any Additional PMC for the Company which the Company had previously sought from the HKSAR Government. Therefore, the cost to the Company of continuing to comply with its project management obligations under the SCL EA3 (which the Company has continued and will continue to comply with) is currently being met by the Company on an interim and without prejudice basis (to allow the SCL Project to progress in accordance with the latest programme) and the Company reserves its position as to the ultimate liability for such costs and as to its right to pursue the courses of action and remedies available under the SCL EA3.

After taking into account the matters described above, and in particular, the Company meeting, on an interim and without prejudice basis (on the basis outlined above), the cost to the Company of continuing to comply with its project management obligations, the Group recognised a provision of HK$1,371 million in its consolidated statement of profit or loss for the year ended 31 December 2020 for the estimated additional cost to the Company of continuing to comply with its project management responsibilities. During the year ended 31 December 2023, the provision utilised amounted to HK$172 million (2022: HK$314 million) and no provision was written back (2022: HK$nil). As at 31 December 2023, the provision of HK$307 million (31 December 2022: HK$479 million), net of amount utilised, is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

This amount does not take into account any potential payment to the Company of any Additional PMC (whether as a result of an award, settlement or otherwise). Accordingly, if any such potential payment becomes virtually certain, the amount of any such payment will be recognised and credited to the Company's consolidated statement of profit or loss in that financial period.

(c) Hung Hom Incidents

As stated in the Company's announcement dated 18 July 2019, there were allegations in 2018 concerning workmanship in relation to the Hung Hom Station extension ("**First Hung Hom Incident**"). The Company took immediate steps to investigate the issues, report the Company's findings to the HKSAR Government and reserve the Company's position against relevant contractors.

In late 2018 and early 2019, the Company advised the HKSAR Government of an insufficiency of construction records and certain construction issues at the Hung Hom North Approach Tunnel ("**NAT**"), the South Approach Tunnel ("**SAT**") and the Hung Hom Stabling Sidings ("**HHS**"), forming an addition to the First Hung Hom Incident ("**Second Hung Hom Incident**").

*(i) Commission of Inquiry ("**COI**")*

On 10 July 2018, the COI was set up by the HKSAR Chief Executive in Council pursuant to the Commissions of Inquiry Ordinance (Chapter 86 of the Laws of Hong Kong). On 29 January 2019, the HKSAR Government made its closing submission to the first phase of the COI in which it stated its view that the Company ought to have provided the required skills and care reasonably expected of a professional and competent project manager but that the Company had failed to do so.

On 26 March 2019, the HKSAR Government published the redacted interim report of the COI in which the COI found that although the Hung Hom Station extension diaphragm wall and platform slab construction works are safe, they were not executed in accordance with the relevant contract in material aspects.

On 18 July 2019, the Company submitted to the HKSAR Government two separate final reports, one in respect of the First Hung Hom Incident and one in respect of the Second Hung Hom Incident, containing, inter alia, proposals for suitable measures required at certain locations to achieve code compliance. These suitable measures have been implemented.

On 22 January 2020, the HKSAR Government reiterated, in its closing submissions to the COI, that there was failure on the part of both the Company and the contractor Leighton Contractors Asia Limited to perform the obligations which the two parties undertook for the SCL project and that the Company, which was entrusted by the HKSAR Government as the project manager of the SCL project, ought to have provided the requisite degree of skill and care reasonably expected of a professional and competent project manager.

On 12 May 2020, the HKSAR Government published the final report of the COI in which the COI determined that it is fully satisfied that, with the suitable measures in place, the station box, NAT, SAT and HHS structures will be safe and also fit for purpose. The suitable measures for these structures were completed in 2020. The COI also made a number of comments on the construction process (including regarding failures in respect thereof such as unacceptable incidents of poor workmanship compounded by lax supervision and that in a number of respects also, management of the construction endeavour fell below the standards of reasonable competence) and made recommendations to the Company for the future.

22 Railway Construction Projects under Entrustment by the HKSAR Government *(continued)*

B Shatin to Central Link ("SCL") Project *(continued)*

(ii) Provision for the Hung Hom Incidents Related Costs

In order to progress the SCL Project and to facilitate the phased opening of the Tuen Ma Line in the first quarter of 2020, the Company announced in July 2019 that it would fund, on an interim and without prejudice basis, certain costs arising from the Hung Hom Incidents and certain costs associated with phased opening (being costs for alteration works, trial operations and other costs associated with the preparation activities for the phased opening) ("**Hung Hom Incidents Related Costs**"), whilst reserving the Company's position as to the ultimate liability for such costs.

The Company and the HKSAR Government will continue discussions with a view to reaching an overall settlement in relation to the Hung Hom Incidents and their respective funding obligations relating to the CTC and the Hung Hom Incidents Related Costs. If no overall settlement is reached between the Company and the HKSAR Government within a reasonable period, the provisions of the SCL EA3 shall continue to apply (as they currently do) including in relation to such costs, and the responsibility for the funding of such costs shall be determined in accordance with the SCL EA3.

After taking into account the matters described in note 22B(c) above, and in particular, the Company's decision to fund, on an interim and without prejudice basis, the Hung Hom Incidents Related Costs, the Company recognised a provision of HK$2,000 million in its consolidated statement of profit or loss for the year ended 31 December 2019. During the year ended 31 December 2023, the provision utilised amounted to HK$65 million (2022: HK$117 million) and no provision was written back (2022: HK$nil). As at 31 December 2023, the provision of HK$762 million (31 December 2022: HK$827 million), net of amount utilised, is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

This amount does not take into account any potential recovery from any other party (whether in the circumstances that no overall settlement is reached and/or as a result of an award, settlement or otherwise). Accordingly, if any such potential recovery becomes virtually certain, the amount of any such recovery will be recognised and credited to the Company's consolidated statement of profit or loss in that financial period.

(d) Potential Claims from and Indemnification to the HKSAR Government

The HKSAR Government has the right to claim against the Company if the Company breaches the SCL Agreements (including, if the Company breaches the warranties it gave in respect of its project management services) and, under each SCL Agreement, to be indemnified by the Company in relation to losses incurred by the HKSAR Government as a result of the negligence of the Company in performing its obligations under the relevant SCL Agreement or breach thereof by the Company. Under the SCL EA3, the Company's total aggregate liability to the HKSAR Government arising out of or in connection with the SCL Agreements (other than for death or personal injury) is subject to a cap equal to the fees that the Company receives under the SCL Agreements. In accordance with general principles of law, such cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has stated that it reserves all rights to pursue further actions against the Company and related contractors and has made the statements in its closing submission to the COI (as stated in note 22B(c)(i) above), up to the date of this annual report, no claim has been received from the HKSAR Government in relation to any SCL Agreement. It is uncertain as to whether such claim will be made against the Company in the future and, if made, the nature and amount of such claim.

The eventual outcome of the discussions between the Company and the HKSAR Government on various matters remain highly uncertain at the current stage. As a result, no additional provision other than as stated above has been made as the Company is currently not able to measure with sufficient reliability the ultimate amount of the Company's obligation or liability arising from the SCL Project as a whole in light of the significant uncertainties involved. While no provision in respect of the SCL Project related matters was recognised at 31 December 2023 other than as stated above, the Company will reassess on an ongoing basis the need to recognise any further provision in the future in light of any further development.

23 Railway Construction in Progress

Movements of railway construction in progress of the Group are as follows:

in HK$ million	Balance at 1 January	Additions^	Balance at 31 December
2023			
Oyster Bay Station			
Construction costs	**7**	**34**	**41**
Consultancy fees	**46**	**83**	**129**
Staff costs and other expenses	**44**	**45**	**89**
Finance costs	**1**	**8**	**9**
Utilisation of government grant (note 47H)	**(98)**	**(170)**	**(268)**
	–	**–**	**–**
Tung Chung Line Extension			
Construction costs	**–**	**561**	**561**
Consultancy fees	**–**	**804**	**804**
Staff costs and other expenses	**–**	**507**	**507**
Finance costs	**–**	**39**	**39**
	–	**1,911**	**1,911**
Tuen Mun South Extension			
Construction costs	**–**	**148**	**148**
Consultancy fees	**–**	**249**	**249**
Staff costs and other expenses	**–**	**422**	**422**
Finance costs	**–**	**7**	**7**
	–	**826**	**826**
Kwu Tung Station*			
Construction costs	**–**	**331**	**331**
Consultancy fees	**–**	**590**	**590**
Staff costs and other expenses	**–**	**589**	**589**
Finance costs	**–**	**9**	**9**
	–	**1,519**	**1,519**
Total	**–**	**4,256**	**4,256**
2022			
Oyster Bay Station			
Construction costs	–	7	7
Consultancy fees	–	46	46
Staff costs and other expenses	–	44	44
Finance costs	–	1	1
Utilisation of government grant (note 47H)	–	(98)	(98)
Total	–	–	–

^ The additions represent capital expenditure incurred and transferred from deferred expenditure.

* According to the project agreement of Kwu Tung Station signed on 5 September 2023 with the HKSAR Government, the Kwu Tung Station project works include, inter alia, (i) the construction of the Kwu Tung Station, and (ii) the detailed planning and design, and the advance works of the Northern Link (main line).

The Oyster Bay Station project is targeted to complete in 2030. Total capital cost for the Oyster Bay Station project based on the defined scope of works and programme is estimated at HK$6.7 billion (excluding finance costs). As at 31 December 2023, the Company has incurred cumulative expenditure of HK$259 million (2022: HK$97 million) (excluding finance costs), which was wholly offset by the government grant, and has authorised outstanding commitments totalling HK$6.4 billion in relation to the Oyster Bay Station project which are included in "Capital commitments" (note 48A).

23 Railway Construction in Progress *(continued)*

The Tung Chung Line Extension project is targeted to complete in 2029. Total capital cost for Tung Chung Line Extension project based on the defined scope of works and programme is estimated at HK$24.2 billion (excluding finance costs). As at 31 December 2023, the Company has incurred cumulative expenditure of HK$1,872 million (excluding finance costs) and has authorised outstanding commitments totalling HK$22.3 billion in relation to the Tung Chung Line Extension project which are included in "Capital commitments" (note 48A).

The Tuen Mun South Extension project is targeted to complete in 2030. Total capital cost for Tuen Mun South Extension project based on the defined scope of works and programme is estimated at HK$18.2 billion (excluding finance costs). As at 31 December 2023, the Company has incurred cumulative expenditure of HK$819 million (excluding finance costs) and has authorised outstanding commitments totalling HK$17.4 billion in relation to the Tuen Mun South Extension project which are included in "Capital commitments" (note 48A).

The Kwu Tung Station and advance works of the Northern Link (main line), and detailed planning and design of the Northern Link (main line) are targeted to complete in 2027 and 2034 respectively. Total capital cost for Kwu Tung Station project based on the defined scope of works and programme (including the detailed planning and design, and the advance works of the Northern Link (main line)) is estimated at HK$10.8 billion (excluding finance costs). As at 31 December 2023, the Company has incurred cumulative expenditure of HK$1,510 million (excluding finance costs) and has authorised outstanding commitments totalling HK$9.3 billion in relation to the Kwu Tung Station project which are included in "Capital Commitments" (note 48A).

24 Property Development in Progress

Pursuant to the project agreements in respect of the construction of railway extensions and the Property Package Agreements in respect of the Rail Merger, the HKSAR Government has granted the Company with development rights on the land over the stations along railway lines.

As at 31 December 2023, the outstanding Hong Kong Property Development Projects of the Company mainly include Oyster Bay Project at depot site in Siu Ho Wan, the Tseung Kwan O Extension Property Project at the depot sites in Tseung Kwan O Area 86 (LOHAS Park), South Island Line Property Project at sites in Wong Chuk Hang (THE SOUTHSIDE), Kwun Tong Line Extension Property Project at sites in Ho Man Tin, and East Rail Line/Light Rail Property Projects at sites along the related railway lines.

A Property Development in Progress

Movements of property development in progress of the Group are as follows:

in HK$ million	Balance at 1 January	Net additions*	Transfer out to profit or loss	Balance at 31 December
2023				
Hong Kong Property Development Projects	**41,269**	**459**	**–**	**41,728**
2022				
Hong Kong Property Development Projects	11,215	41,088	(11,034)	41,269

* The net additions represent expenditure incurred for Hong Kong property development projects, including the amount of land premium, capital expenditure and development costs transferred from deferred expenditure, and be offset by payments or distributions of the assets received from developers and utilisation of government grant (if any).

The remaining lease terms of leasehold land in Hong Kong included under property development in progress are between 10 and 50 years.

B Stakeholding Funds

Being the stakeholder under certain Airport Railway, Tseung Kwan O Extension, South Island Line, Kwun Tong Line and East Rail Line/Light Rail Property Projects, the Company receives and manages deposit monies and sales proceeds in respect of sales of properties under those developments. These monies are placed in separate designated bank accounts and, together with any interest earned, are to be released to the developers for the reimbursement of costs of the respective developments in accordance with the terms and conditions of the HKSAR Government Consent Schemes and development agreements. Any balance remaining is to be released for distribution only after all obligations relating to the developments have been met. Accordingly, the balances of the stakeholding funds have not been included in the consolidated statement of financial position. As at 31 December 2023, the balance of the stakeholding funds was HK$18,397 million (2022: HK$23,715 million).

C West Rail Property Development

As part of the Rail Merger, the Company was appointed to act as the agent of KCRC and certain KCRC subsidiary companies ("West Rail Subsidiaries") in the development of specified development sites along the West Rail. The Company can receive an agency fee of 0.75% of the gross sale proceeds in respect of the developments except for the Tuen Mun development on which the Company can receive 10% of the net profits accrued under the development agreement. The Company can also recover from the West Rail Subsidiaries all the costs incurred in respect of the West Rail development sites plus 16.5% on-cost, together with interest accrued thereon. During the year ended 31 December 2023, HK$8 million (2022: HK$128 million) of agency fee and other income in respect of West Rail property development was recognised (note 12). During the year ended 31 December 2023, the reimbursable costs incurred by the Company including on-cost and interest accrued were HK$43 million (2022: HK$55 million).

25 Deferred Expenditure

As at 31 December 2023, deferred expenditure included costs of HK$0.4 billion (2022: HK$2.3 billion) mainly incurred for certain railway projects which the project agreements are yet to be reached with the HKSAR Government. The future development of the respective projects is expected to bring future economic benefits to the Group. In the event that in a future period it is no longer considered probable that the corresponding project agreements can be reached, and the costs concerned are no longer considered as recoverable, the costs concerned will be charged to the consolidated statement of profit or loss in that reporting period.

26 Investments in Subsidiaries

The following list contains the particulars of principal subsidiaries of the Company as at 31 December 2023:

		Proportion of ownership interest				
Name of company	Issued share capital/ contributed registered capital	Group's effective interest	Held by the Company	Held by subsidiary(ies)	Place of incorporation/ establishment and operation	Principal activities
LOUDER HK Company Limited	HK$100	100%	–	100%	Hong Kong	Retail
MTR Academy (HK) Company Limited	HK$10,000	100%	–	100%	Hong Kong	Administering the operation of MTR Academy
MTR Lab Company Limited	HK$100	100%	100%	–	Hong Kong	Holding of investments
MTR Telecommunication Company Limited	HK$100,000,000	100%	100%	–	Hong Kong	Mobile telecommunication services
Ngong Ping 360 Limited	HK$2	100%	100%	–	Hong Kong	Operating the Tung Chung to Ngong Ping cable car system and theme village in Ngong Ping
Pierhead Garden Management Company Limited	HK$50,000	100%	100%	–	Hong Kong	Property investment and management
TraxComm Limited	HK$15,000,000	100%	100%	–	Hong Kong	Fixed telecommunication network and related services
V-Connect Limited	HK$1,000	100%	100%	–	Hong Kong	Mobile telecommunication services
Metro Trains Melbourne Pty. Ltd.*	AUD39,999,900	60% on ordinary shares;	–	100% on ordinary shares;	Australia	Railway operations and maintenance
	AUD100	30% on Class A shares	–	100% on Class A shares		
Metro Trains Sydney Pty Ltd*	AUD100	60%	–	60%	Australia	Railway operations and maintenance
MTR Corporation (Sydney) NRT Pty Limited	AUD2	100%	–	100%	Australia	Design and delivery of railway related systems
MTR Corporation (Sydney) SMCSW Pty Limited	AUD1	100%	–	100%	Australia	Design, delivery and integration of railway related systems
MTR Corporation (C.I.) Limited	US$1,000	100%	100%	–	Cayman Islands/ Hong Kong	Financing
MTR Consultadoria (Macau) Sociedade Unipessoal Lda.	MOP25,000	100%	–	100%	Macao	Railway consultancy services
MTR Railway Operations (Macau) Company Limited	MOP25,000	100%	–	100%	Macao	Railway operations and management
MTR Express (Sweden) AB	SEK10,050,000	100%	–	100%	Sweden	Railway operations and maintenance
MTR Pendeltågen AB	SEK10,050,000	100%	–	100%	Sweden	Railway operations, maintenance and station management
MTR Mälartåg AB	SEK10,050,000	100%	–	100%	Sweden	Railway operations and maintenance
MTR Tech AB	SEK30,000,000	100%	–	100%	Sweden	Railway maintenance

26 Investments in Subsidiaries *(continued)*

Name of company	Issued share capital/ contributed registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary(ies)	Place of incorporation/ establishment and operation	Principal activities
MTR Tunnelbanan AB	SEK40,000,000	100%	–	100%	Sweden	Railway operations and maintenance
MTR Nordic AB	SEK40,050,000	100%	–	100%	Sweden	Holding of investments
MTR (Beijing) Commercial Facilities Management Co., Ltd.^@	HK$93,000,000	100%	–	100%	The People's Republic of China	Property leasing and management
MTR Corporation (Shenzhen) Limited^@	HK$2,636,000,000	100%	–	100%	The People's Republic of China	Railway construction, operations and management
MTR CREC Metro (Shenzhen) Company Limited#@	RMB946,000,000	83%	–	83%	The People's Republic of China	Railway construction, operations and management
MTR Property Development (Shenzhen) Company Limited#@	HK$1,304,969,189	100%	–	100%	The People's Republic of China	Property development, operation, leasing, management and consultancy services
MTR Commercial Centre Management (Tianjin) Company Limited^@	RMB1,352,000,000	100%	–	100%	The People's Republic of China	Property investment, leasing and management
MTR Corporation (Crossrail) Limited	GBP1,000,000	100%	–	100%	United Kingdom	Railway operations and maintenance

* Subsidiaries not audited by KPMG

^ Wholly foreign owned enterprise registered under the People's Republic of China (PRC) Law

\# Sino-foreign equity joint venture registered under PRC Law

@ English translation for identification purpose only

The Directors of the Company are of the opinion that a complete list of all subsidiaries and their particulars will be of excessive length and therefore the above table contains only those subsidiaries which, in the opinion of the Directors, materially contribute to the Group's results, assets or liabilities.

27 Interests in Associates and Joint Ventures

The following list contains the particulars of material associates and joint venture as at 31 December 2023, all of which are unlisted corporate entities whose quoted market price is not available:

Name of company	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiary	Place of incorporation/ establishment and operation	Principal activities
Associates					
Octopus Holdings Limited ("OHL")#	64.02%	64.02%	–	Hong Kong	Holding company of a group of companies which engage in the operation of a contactless smartcard common payment system in Hong Kong and consultancy services
Beijing MTR Corporation Limited~ @	49%	–	49%	The People's Republic of China	Metro investment, construction, operations and passenger services
Beijing MTR L16 Corporation Limited α @	49%	–	49%	The People's Republic of China	Metro investment, construction, operations and passenger services
Hangzhou MTR Corporation Limited ("HZMTR")*~ @	49%	–	49%	The People's Republic of China	Railway operations and management
First MTR South Western Trains Limited*	30%	–	30%	United Kingdom	Railway operations and management
NRT Pty Ltd*	27.55%	–	27.55%	Australia	Financing, railway construction, operations and maintenance through a unit trust
NRT CSW Pty Ltd*	27.55%	–	27.55%	Australia	Financing, railway construction, operations and maintenance through a unit trust
Joint Venture					
Hangzhou MTR Line 5 Corporation Limited ~ @	60%	–	60%	The People's Republic of China	Railway electrical and mechanical construction, operations and management

\# In January 2022, the Company acquired a total of 6.62% additional shares of OHL from Citybus Limited and New World First Bus Services Limited (subsidiaries of Bravo Transport Services Limited). After the acquisition, the Company's shareholding in OHL increased from 57.40% to 64.02%. The Group regards OHL and its subsidiaries (the "OHL Group") as associates as the Company cannot control the OHL Group's activities unilaterally taking into account the Company's voting rights at the board meetings of OHL.

* Companies not audited by KPMG

~ Sino-foreign co-operative joint venture registered under PRC Law

α Limited liability company (wholly owned by a legal person) under PRC Law

@ English translation for identification purpose only

All the associates and joint ventures are accounted for using the equity method in the consolidated financial statements and considered to be not individually material.

27 Interests in Associates and Joint Ventures *(continued)*

The summary financial information of the Group's effective interests in associates and joint ventures is as follows:

in HK$ million	2023	2022
Income	**8,215**	7,713
Expenses and others	**(6,423)**	(6,077)
Profit before taxation	**1,792**	1,636
Income tax	**(533)**	(541)
Net profit	**1,259**	1,095
Other comprehensive loss	**(157)**	(887)
Total comprehensive income	**1,102**	208
Assets	**33,533**	34,690
Liabilities	**(21,069)**	(22,659)
Net assets	**12,464**	12,031
Group's share of net assets of the associates and joint ventures	**12,464**	12,031
Goodwill	**321**	307
Carrying amount in the consolidated statement of financial position	**12,785**	12,338

HZMTR, a 49% owned associate of the Group, operates Hangzhou Metro Line 1 ("HZL1"), the HZL1 Xiasha Extension and HZL1 Airport Extension. HZMTR has been suffering from losses for many of the past several years due to slow growth in patronage, especially during the pandemic. Because there is no patronage protection mechanism under this concession agreement, the long-term financial viability of this line will be impacted if patronage remains at a lower level over a further period of time, especially when the lower average fare resulting from the expanded network is taken into consideration.

28 Investments in Securities

Investments in securities are measured at fair value and comprise of:

in HK$ million	2023	2022
Unlisted equity securities held by subsidiaries	**564**	669
Listed debt securities held by an overseas insurance underwriting subsidiary	**298**	290
	862	959

As at 31 December 2023, all debt securities were expected to mature within one year except for HK$267 million (2022: HK$235 million) which were expected to mature after one year. During the year ended 31 December 2023, net fair value gain on investments in securities of HK$54 million (2022: HK$20 million) was recognised.

29 Properties Held for Sale

in HK$ million	2023	2022
Properties held for sale		
– at cost	**860**	1,307
– at net realisable value	**1,079**	581
	1,939	1,888
Representing:		
Hong Kong property development	**1,927**	1,876
Mainland China property development	**12**	12
	1,939	1,888

Properties held for sale represent the Group's interest in unsold properties or properties received by the Group as sharing-in-kind in Hong Kong, and the Group's unsold properties in Mainland China.

For Hong Kong property development, the net realisable values as at 31 December 2023 and 2022 were determined by reference to an open market valuation of the properties as at those dates, undertaken by an independent firm of surveyors, Colliers International (Hong Kong) Limited, who have among their staff Members of the Hong Kong Institute of Surveyors.

Properties held for sale at net realisable value of the Group are stated net of provision of HK$83 million (2022: HK$43 million) made in order to state these properties at the lower of their cost and estimated net realisable value. The remaining lease terms of leasehold land in Hong Kong included under properties held for sale are between 10 and 50 years.

30 Derivative Financial Assets and Liabilities

A Fair Value

The contracted notional amounts, fair values and maturities based on contractual undiscounted cash flows of derivative financial instruments outstanding are as follows:

in HK$ million	Notional amount	Fair value	Contractual undiscounted cash flows maturing in: Less than 1 year	1-2 years	2-5 years	Over 5 years	Total
2023							
Derivative Financial Assets							
Gross settled:							
Foreign exchange forwards							
– cash flow hedges:	2,164	15					
– inflow			223	477	898	–	1,598
– outflow			(219)	(471)	(886)	–	(1,576)
– not qualified for hedge accounting:	445	8					
– inflow			358	87	8	–	453
– outflow			(353)	(84)	(8)	–	(445)
Cross currency swaps							
– fair value hedges:	3,978	56					
– inflow			152	462	3,929	–	4,543
– outflow			(185)	(420)	(3,839)	–	(4,444)
– cash flow hedges:	391	–					
– inflow			–	–	–	802	802
– outflow			–	–	–	(811)	(811)
Net settled:							
Interest rate swaps							
– fair value hedges	14,774	116	(11)	201	49	–	239
– cash flow hedges	600	5	8	1	(4)	1	6
– not qualified for hedge accounting	1,300	40	11	7	18	10	46
	23,652	240	(16)	260	165	2	411
Derivative Financial Liabilities							
Gross settled:							
Foreign exchange forwards							
– cash flow hedges:	209	(13)					
– inflow			528	195	56	–	779
– outflow			(541)	(198)	(58)	–	(797)
– not qualified for hedge accounting:	378	(17)					
– inflow			250	8	102	–	360
– outflow			(258)	(9)	(111)	–	(378)
Cross currency swaps							
– fair value hedges:	6,528	(346)					
– inflow			2,294	2,823	43	1,474	6,634
– outflow			(2,463)	(2,856)	(73)	(1,527)	(6,919)
– cash flow hedges:	22,920	(1,030)					
– inflow			446	444	10,428	16,682	28,000
– outflow			(453)	(451)	(10,975)	(17,117)	(28,996)
Net settled:							
Interest rate swaps							
– fair value hedges	5,251	(88)	(34)	18	(24)	(14)	(54)
– cash flow hedges	9,832	(182)	64	(46)	(134)	(89)	(205)
– not qualified for hedge accounting	300	(34)	(9)	(6)	(14)	(9)	(38)
	45,418	(1,710)	(176)	(78)	(760)	(600)	(1,614)
Total	69,070						

30 Derivative Financial Assets and Liabilities *(continued)*

A Fair Value *(continued)*

in HK$ million	Notional amount	Fair value	Contractual undiscounted cash flows maturing in Less than 1 year	1-2 years	2-5 years	Over 5 years	Total
2022							
Derivative Financial Assets							
Gross settled:							
Foreign exchange forwards							
– cash flow hedges:	178	5					
– inflow			98	20	65	–	183
– outflow			(95)	(19)	(64)	–	(178)
– not qualified for hedge accounting:	152	5					
– inflow			157	–	–	–	157
– outflow			(152)	–	–	–	(152)
Cross currency swaps							
– fair value hedges:	1,213	25					
– inflow			257	11	317	706	1,291
– outflow			(249)	(13)	(295)	(698)	(1,255)
– cash flow hedges:	12,915	45					
– inflow			265	265	6,309	10,381	17,220
– outflow			(249)	(250)	(6,234)	(10,289)	(17,022)
Net settled:							
Interest rate swaps							
– fair value hedges	5,392	39	(37)	49	37	–	49
– cash flow hedges	4,442	26	30	17	(21)	–	26
– not qualified for hedge accounting	2,534	71	26	12	24	20	82
	26,826	216	51	92	138	120	401
Derivative Financial Liabilities							
Gross settled:							
Foreign exchange forwards							
– fair value hedges:	1,475	(6)					
– inflow			1,475	–	–	–	1,475
– outflow			(1,481)	–	–	–	(1,481)
– cash flow hedges:	383	(30)					
– inflow			223	86	44	–	353
– outflow			(237)	(96)	(50)	–	(383)
– not qualified for hedge accounting:	223	(18)					
– inflow			137	10	58	–	205
– outflow			(146)	(11)	(66)	–	(223)
Cross currency swaps							
– fair value hedges:	4,565	(261)					
– inflow			749	2,324	941	826	4,840
– outflow			(841)	(2,363)	(996)	(867)	(5,067)
– cash flow hedges:	9,649	(600)					
– inflow			464	183	1,589	8,507	10,743
– outflow			(559)	(203)	(1,815)	(8,794)	(11,371)
Net settled:							
Interest rate swaps							
– fair value hedges	2,401	(142)	(48)	(35)	(36)	(33)	(152)
– not qualified for hedge accounting	300	(47)	(10)	(9)	(20)	(17)	(56)
	18,996	(1,104)	(274)	(114)	(351)	(378)	(1,117)
Total	45,822						

30 Derivative Financial Assets and Liabilities *(continued)*

A Fair Value *(continued)*

The Group's derivative financial instruments consist predominantly of interest rate and cross currency swaps entered into exclusively by the Company, and the relevant interest rate swap curves as of 31 December 2023 and 2022 were used to discount the cash flows of financial instruments. Interest rates used ranged from 3.09% to 5.27% (2022: 3.63% to 4.99%) for Hong Kong dollars, 3.76% to 5.59% (2022: 3.81% to 5.16%) for United States dollars, 3.77% to 4.39% (2022: 3.01% to 4.62%) for Australian dollars, 0.07% to 0.52% (2022: 0.07% to 1.14%) for Japanese yen and 3.10% to 3.65% (2022: 2.54% to 3.50%) for Renminbi.

The table above details the remaining contractual maturities at the end of the reporting period of the Group's derivative financial assets and liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay. The details of the fair value measurement are disclosed in note 43.

B Financial Risks

The Group's operating activities and financing activities expose it to four main types of financial risks, namely liquidity risk, interest rate risk, foreign exchange risk and credit risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of these financial risks on the Group's financial performance.

The Board of Directors provides principles for overall risk management and approves policies covering specific areas, such as liquidity risk, interest rate risk, foreign exchange risk, credit risk, concentration risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group's Preferred Financing Model (the "Model") for the Company is an integral part of its risk management policies. The Model specifies, amongst other things, the preferred mix of fixed and floating rate debts, the permitted level of foreign currency debts and an adequate length of financing horizon for coverage of forward funding requirements, against which the Company's financing related liquidity, interest rate and currency risk exposures are measured, monitored and controlled. The Board regularly reviews its risk management policies and authorises changes if necessary based on operating and market conditions and other relevant factors. The Board also reviews on an annual basis as part of the budgeting process and authorises changes if necessary to the Model in accordance with changes in market conditions and practical requirements.

The use of derivative financial instruments to control and hedge against interest rate and foreign exchange risk exposures is an integral part of the Group's risk management strategy. These instruments shall only be used for controlling or hedging risk exposures, and cannot be used for speculation purposes. All of the derivative instruments used by the Company are over-the-counter derivatives comprising principally interest rate swaps, cross currency swaps and foreign exchange forward contracts.

(i) Liquidity Risk

Liquidity risk refers to the risk that funds are not available to meet liabilities as they fall due, and it may result from timing and amount mismatches of cash inflow and outflow.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required, including working capital, debt repayments, dividend payments, capital expenditures and new investments, and by maintaining sufficient cash balance and/or undrawn committed banking facilities to ensure these requirements are met. It adopts a prudent approach and will maintain sufficient cash balance and committed banking facilities to provide forward coverage of at least 12 months of projected cash requirements at the parent company level as specified in the Model. The Company also conducts stress testing of its projected cash flow to analyse liquidity risk, and would arrange additional banking facilities or debt issuance or otherwise take appropriate actions if such stress tests reveal significant risk of material cash flow shortfall.

As at 31 December 2023, the Group had undrawn committed banking facility of HK$18,329 million (2022: HK$14,512 million).

The following table details the remaining contractual maturities at the end of the reporting period of the Group's loans and other obligations other than lease liabilities (as detailed in note 35D below), which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2023				2022			
in HK$ million	Capital market instruments	Bank loans	Others	Total	Capital market instruments	Bank loans	Others	Total
Loans and other obligations								
Amounts repayable beyond 5 years	**25,633**	**1,599**	**–**	**27,232**	28,382	1,153	–	29,535
Amounts repayable within a period of between 2 and 5 years	**14,670**	**790**	**–**	**15,460**	11,905	804	–	12,709
Amounts repayable within a period of between 1 and 2 years	**15,918**	**481**	**–**	**16,399**	8,254	202	619	9,075
Amounts repayable within 1 year	**8,791**	**1,618**	**620**	**11,029**	3,843	3,302	–	7,145
	65,012	**4,488**	**620**	**70,120**	52,384	5,461	619	58,464

Others represent obligations under lease out/lease back transaction (note 20E).

30 Derivative Financial Assets and Liabilities *(continued)*

B Financial Risks *(continued)*

The Group's exposure to liquidity risks in respect of derivative financial liabilities (note 30A), lease liabilities (note 35D), creditors, other payables and provisions (note 36), amounts due to related parties (note 37), obligations under service concession (note 38), and loans from holders of non-controlling interests (note 39) are disclosed in the respective notes.

(ii) Interest Rate Risk

The Group's interest rate risk arises principally from its borrowing activities at the parent company level (including its financing vehicles). Borrowings based on fixed and floating rates expose the Group to fair value and cash flow interest rate risks respectively due to fluctuations in market interest rates. The Group manages and controls its interest rate risk exposure at the parent company level by maintaining a level of fixed rate debt between 45% and 80% (2022: 45% and 80%) of total debt outstanding as specified by the Model. Should the actual fixed rate debt level deviate substantially from the Model, derivative financial instruments such as interest rate swaps would be procured to align the fixed and floating mix with the Model. As at 31 December 2023, 67% (2022: 70%) of the Company's (including financing vehicles) total debt outstanding was denominated either in or converted to fixed interest rate after taking into account outstanding cross currency and interest rate swaps. Interest rate risk at subsidiary, associate and joint venture companies are managed separately based on their own borrowing requirement, circumstances and market practice.

As at 31 December 2023, it is estimated that a 100 basis points increase/100 basis points decrease in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and decrease/increase the Group's retained profits by approximately HK$87 million/HK$83 million. Other components of consolidated equity would increase/decrease by approximately HK$527 million/HK$567 million.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The interest rate assumptions represent management's assessment of a reasonably possible change in interest rates over the period until the next annual financial period.

In 2022, a similar analysis was performed based on the assumption of a 100 basis points increase/100 basis points decrease in interest rates, with all other variables held constant, which would decrease/increase the Group's profit after tax and decrease/increase the Group's retained profits by approximately HK$6 million/HK$7 million. Other components of consolidated equity would increase/decrease by approximately HK$144 million/HK$145 million.

(iii) Foreign Exchange Risk

Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency other than the functional currency of the Group's companies to which they relate. For the Group, it arises principally from its borrowing as well as investment and procurement activities outside Hong Kong.

The Group manages and controls its foreign exchange risk exposure by maintaining a modest level of unhedged non-Hong Kong dollar debt at the parent company level as specified by the Model, and minimal foreign exchange open positions created by its investments and procurements outside Hong Kong. Where the currency of a borrowing is not matched with that of the expected cash flows for servicing the debt, the Company would convert its foreign currency exposure resulting from the borrowing to Hong Kong dollar exposure through cross currency swaps. For investment and procurement in foreign currencies, the Group would purchase the foreign currencies in advance or enter into foreign exchange forward contracts to secure the necessary foreign currencies at pre-determined exchange rates for settlement.

As most of the Group's receivables and payables are denominated in the respective Group companies' functional currencies (Hong Kong dollars, Renminbi, Australian dollars, British Pound or Swedish Krona) or United States dollars (with which Hong Kong dollars are pegged) and most of its payment commitments denominated in foreign currencies are covered by foreign exchange forward contracts, management does not expect that there will be any significant currency risk associated with them.

30 Derivative Financial Assets and Liabilities *(continued)*

B Financial Risks *(continued)*

(iv) Credit Risk

Credit risk refers to the risk that a counterparty will be unable to pay amounts in full when due. For the Group, this arises mainly from the deposits it maintains and the derivative financial instruments that it has entered into with various banks and counterparties as well as from the Defeasance Securities it procured under the lease out/lease back transaction (note 20E). The Group limits its exposure to credit risk by placing deposits and transacting derivative financial instruments only with financial institutions with acceptable investment grade credit ratings or guarantee, and diversifying its exposure to various counterparties.

All derivative financial instruments are subject to a maximum counterparty limit based on the respective counterparty's credit ratings in accordance with policy approved by the Board. Credit exposure in terms of estimated fair market value of and largest potential loss arising from these instruments based on the "value-at-risk" concept is measured, monitored and controlled against their respective counterparty limits. To further reduce counterparty risk exposure, the Group also applies set-off and netting arrangements across all derivative financial instruments and other financial transactions with the same counterparty.

All deposits and investments are similarly subject to a separate maximum counterparty/issuer limit based on the respective counterparty/issuer's credit ratings and/or status as Hong Kong's note-issuing banks. There is also a limit on the length of time that the Group can maintain a deposit with a counterparty or investment from an issuer based upon the counterparty/issuer's credit ratings. Deposit/investment outstanding and maturity profile are monitored regularly to ensure they are within the limits established for the counterparties/issuers. In addition, the Group actively monitors the credit default swap levels of counterparties/issuers and their daily changes, and may on the basis of the observed levels and other considerations adjust its exposure and/or maximum counterparty/issuer limit to the relevant counterparty.

As at the end of the reporting period, the maximum exposure to credit risk of the Group with respect to derivative financial assets and bank deposits is represented respectively by the carrying amount of the derivative financial assets and the aggregate amount of deposits on its consolidated statement of financial position. As at the end of the reporting period, there was no significant concentration risk to a single counterparty.

In addition, the Group also manages and controls its exposure to credit risk in respect of receivables as stated in note 32.

31 Stores and Spares

As at 31 December 2023, stores and spares net of provision for obsolete stock of HK$27 million (2022: HK$25 million) amounted to HK$2,557 million (2022: HK$2,261 million), of which HK$1,817 million (2022: HK$1,607 million) is expected to be consumed within 1 year and HK$740 million (2022: HK$654 million) is expected to be consumed after 1 year. Stores and spares expected to be consumed after 1 year comprise mainly contingency spares and stocks kept to meet cyclical maintenance requirements.

32 Debtors and Other Receivables

The Group's credit policies in respect of receivables arising from its principal activities are as follows:

(i) The majority of fare revenue from Hong Kong transport operations (except for that from the High Speed Rail as described in note 32(ii) below) is collected through Octopus Cards, QR code and contactless bank cards with daily settlement on the next working day or in cash for other ticket types. A small portion of it is collected through pre-sale agents which settle the amounts due within 30 days.

(ii) In respect of the High Speed Rail, tickets are sold by the Company and other Mainland train operators. The clearance centre of China Railway Corporation administers the revenue allocation and settlement system of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and allocates the revenue of the High Speed Rail to the Company under a "section-based" approach with settlement in the following month.

(iii) Fare revenue from SZL4 is collected either through Shenzhen Tong Cards or QR code payment with daily settlement on the next working day or in cash for other ticket types. Fare revenue from MTRX in Sweden is collected through a third party financial institution with settlement within 14 days and sales through pre-sale agents are settled in the following month. Service fees from Macao Light Rapid Transit Taipa Line are billed monthly with due dates in accordance with the terms of the service agreement.

(iv) Franchise revenue in Australia is collected either daily or monthly depending on the revenue nature. The majority of the franchise revenue from operations in Sweden is collected in the transaction month with the remainder being collected in the following month. Concession revenue for London Elizabeth Line is collected once every 4 weeks.

(v) Rentals, advertising and telecommunication service fees are billed monthly with due dates ranging from immediately due to 60 days. Tenants of the Group's investment properties and station kiosks are generally required to pay three to six months' rental deposit upon the signing of lease agreements.

(vi) Amounts receivable under interest rate and currency swap agreements with financial institutions are due in accordance with the terms of the respective agreements.

32 Debtors and Other Receivables *(continued)*

(vii) Consultancy service income is billed monthly for settlement within 30 days upon work completion or on other basis stipulated in the consultancy contracts.

(viii) Debtors in relation to contracts and capital works entrusted to the Group, subject to any agreed retentions, are due within 30 days upon the certification of work in progress.

(ix) Amounts receivable in respect of property development are due in accordance with the terms of relevant development agreements or sale and purchase agreements.

The ageing analysis of debtors by due dates is as follows:

in HK$ million	**2023**	2022
Amounts not yet due	**5,118**	3,715
Overdue by within 30 days	**218**	210
Overdue by more than 30 days but within 60 days	**89**	74
Overdue by more than 60 days but within 90 days	**29**	27
Overdue by more than 90 days	**285**	284
Total debtors	**5,739**	4,310
Other receivables and contract assets	**8,017**	9,579
	13,756	13,889

Included in other receivables as at 31 December 2023 was HK$1,008 million (2022: HK$2,962 million) in respect of property development profit in Hong Kong distributable from stakeholding funds and receivables from property purchasers based on the terms of the development agreements and sales and purchase agreements. In addition, the Company purchased the tax reserve certificates of Hong Kong Profits Tax in respect of certain payments relating to the Rail Merger. Details are set out in note 16A(ii).

On 23 March 2017, MTR Property (Tianjin) No.1 Company Limited ("MTR TJ No.1") entered into a Framework Agreement comprising, inter alia, a Share Transfer Agreement, with Tianjin Xingtai Jihong Real Estate Co., Ltd. ("TJXJRE"), a wholly-owned subsidiary of Beijing Capital Land Ltd., for the disposal of MTR TJ No.1's 49% equity interest in Tianjin TJ – Metro MTR Construction Company Limited at a consideration of RMB1.3 billion; and MTR TJ No.1's future acquisition of a shopping mall to be developed on the same site at a consideration of RMB1.3 billion. The disposal of equity interest was completed on 10 July 2017 and consequently a prepayment is recognised on the Group's consolidated statement of financial position.

The construction of this shopping mall is targeted for completion in 2024. The Group is currently studying possible strategic options of this mall in light of the challenging retail property market conditions. A performance bond in the amount of RMB1.6 billion (HK$1.8 billion) issued by a Hong Kong licensed bank has been provided by TJXJRE to MTR TJ No.1 to guarantee its obligations under the Framework Agreement.

The Group's exposure to credit risk on debtors and other receivables mainly relates to debtors relating to rental receivables in Hong Kong and franchise fee/project fee receivables outside of Hong Kong. Given the Group's policy is to receive rental deposits from tenants in Hong Kong and the debtors in relation to the franchise fee/project fee receivables outside of Hong Kong are government related entities, the Group considers the credit risk is low and the expected credit loss is immaterial.

As at 31 December 2023, all debtors and other receivables were expected to be recovered within one year except for amounts relating to deposits and other receivables of HK$3,535 million (2022: HK$4,735 million) which were expected to be recovered after more than one year. The nominal values less credit losses are not discounted as it is considered that the effect of discounting would not be significant.

Included in debtors and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

in million	**2023**	2022
Australian dollars	**6**	8
Renminbi	**77**	59
United States dollars	**24**	20

33 Amounts Due from Related Parties

in HK$ million	2023	2022
Amounts due from:		
– HKSAR Government	**896**	1,017
– KCRC	**4,318**	4,157
– associates	**588**	255
	5,802	5,429

As at 31 December 2023, the amount due from the HKSAR Government mainly related to the recoverable cost for the advanced works in relation to the Shatin to Central Link, reimbursable costs for the essential public infrastructure works in respect of the South Island Line, reimbursement of the fare revenue difference in relation to the "Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities", agency fee receivables and reimbursable costs in respect of West Rail property development (note 24C), as well as receivables and retention for other entrustment and maintenance works.

As at 31 December 2023, the amount due from KCRC mainly related to the revenue receivable in respect of High Speed Rail and Shatin to Central Link under relevant supplemental service concession agreements.

Given the amounts due from related parties mainly related to HKSAR Government and government related entity, the Group considers the credit risk is low and the expected credit loss is immaterial.

As at 31 December 2023, all amounts due from related parties were expected to be recovered within one year except for HK$2,763 million (2022: HK$2,788 million) which were expected to be recovered after more than one year. The carrying amounts of amounts due from the HKSAR Government and other related parties are considered not significantly different from their fair values.

34 Cash, Bank Balances and Deposits

in HK$ million	2023	2022
Deposits with banks and other financial institutions	**16,282**	9,369
Cash at banks and on hand	**6,093**	6,765
Cash, bank balances and deposits	**22,375**	16,134
Less: Bank deposits with more than three months to maturity when placed or pledged deposits (note 35E)	**(6,800)**	(4,175)
Less: Structured bank deposits	**–**	(1,718)
Cash and cash equivalents in the consolidated statement of cash flows	**15,575**	10,241

Included in cash, bank balance and deposits in the consolidated statement of financial position are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

in million	2023	2022
Australian dollars	**70**	71
Euros	**36**	24
Japanese yen	**1,104**	770
Renminbi	**200**	32
United States dollars	**78**	193

35 Loans and Other Obligations

A By Type

in HK$ million	2023 Carrying amount	2023 Fair value	2023 Repayable amount	2022 Carrying amount	2022 Fair value	2022 Repayable amount
Capital market instruments						
Listed or publicly traded:						
Debt issuance programme notes due during 2024 to 2047 (2022: due during 2023 to 2047)	**22,031**	**20,820**	**22,475**	20,206	18,797	20,680
Unlisted:						
Debt issuance programme notes due during 2024 to 2055 (2022: due during 2023 to 2055)	**32,347**	**32,182**	**32,988**	20,588	20,063	21,365
Total capital market instruments	**54,378**	**53,002**	**55,463**	40,794	38,860	42,045
Bank loans	**2,411**	**2,411**	**2,411**	3,773	3,773	3,773
Lease liabilities	**720**	**720**	**720**	1,113	1,117	1,113
Others	**603**	**601**	**603**	574	574	574
Loans and other obligations	**58,112**	**56,734**	**59,197**	46,254	44,324	47,505
Short-term loans	**1,379**	**1,379**	**1,379**	1,592	1,592	1,592
Total	**59,491**	**58,113**	**60,576**	47,846	45,916	49,097

Others include non-defeased obligations under lease out/lease back transaction (note 20E).

The fair values are based on the discounted cash flows method which discounts the future contractual cash flows at the current market interest and foreign exchange rates that are available to the Group for similar financial instruments. The carrying amounts of short-term loans approximated their fair values. Details of the fair value measurement are disclosed in note 43.

The amounts of borrowings, denominated in a currency other than the functional currency of the entity to which they relate, before and after currency hedging activities are as follows:

in million	Before hedging activities 2023	Before hedging activities 2022	After hedging activities 2023	After hedging activities 2022
Australian dollars	**381**	431	**–**	–
Japanese yen	**15,000**	15,000	**–**	–
Renminbi	**4,725**	3,840	**–**	–
United States dollars	**2,714**	2,230	**–**	–

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35 Loans and Other Obligations *(continued)*

B By Repayment Terms

in HK$ million	2023 Capital market instruments	2023 Bank loans	2023 Lease liabilities	2023 Others	2023 Total	2022 Capital market instruments	2022 Bank loans	2022 Lease liabilities	2022 Others	2022 Total
Loans and other obligations										
Amounts repayable beyond 5 years	**20,701**	**1,260**	**153**	**–**	**22,114**	22,235	1,289	203	–	23,727
Amounts repayable within a period of between 2 and 5 years	**13,080**	**605**	**153**	**–**	**13,838**	9,929	688	204	–	10,821
Amounts repayable within a period of between 1 and 2 years	**14,527**	**401**	**182**	**–**	**15,110**	7,155	148	202	574	8,079
Amounts repayable within 1 year	**7,155**	**145**	**232**	**603**	**8,135**	2,726	1,648	504	–	4,878
	55,463	**2,411**	**720**	**603**	**59,197**	42,045	3,773	1,113	574	47,505
Short-term loans	**–**	**1,379**	**–**	**–**	**1,379**	–	1,592	–	–	1,592
	55,463	**3,790**	**720**	**603**	**60,576**	42,045	5,365	1,113	574	49,097
Less: Unamortised discount/premium/finance charges outstanding	**(229)**	**–**	**–**	**–**	**(229)**	(246)	–	–	–	(246)
Adjustment due to fair value change of financial instruments	**(856)**	**–**	**–**	**–**	**(856)**	(1,005)	–	–	–	(1,005)
Total carrying amount of debt	**54,378**	**3,790**	**720**	**603**	**59,491**	40,794	5,365	1,113	574	47,846

The amounts repayable within 1 year in respect of capital market instruments and bank loans are included in long-term loans as these amounts are intended to be refinanced on a long-term basis.

C Bonds and Notes Issued and Redeemed

Notes issued by the Group during the years ended 31 December 2023 and 2022 comprise:

in HK$ million	2023 Principal amount	2023 Net consideration received	2022 Principal amount	2022 Net consideration received
Debt issuance programme notes	**16,144**	**16,127**	10,288	10,282

During the year ended 31 December 2023, the Group issued HK$1,200 million and RMB945 million (HK$1,044 million) of listed debt securities in the respective currency (2022: RMB510 million (HK$571 million)). The Group issued HK$9,337 million, RMB700 million (HK$777 million) and US$484 million (HK$3,786 million) of its unlisted debt securities in the respective currency (2022: HK$8,193 million and RMB1,320 million (HK$1,524 million) in the respective currency).

During the year ended 31 December 2023, the Group redeemed RMB410 million (HK$465 million) of its listed debt securities (2022: RMB1,350 million (HK$1,606 million)). The Group redeemed AUD50 million (HK$347 million), HK$1,500 million and RMB350 million (HK$414 million) of its unlisted debt securities in the respective currency (2022: HK$3,848 million and RMB250 million (HK$296 million) in the respective currency).

As at 31 December 2023 and 2022, there were outstanding debt securities issued by a wholly-owned subsidiary, MTR Corporation (C.I.) Limited ("MTRCI"). The obligations of the debt securities issued by MTRCI are direct, unsecured and unsubordinated to the other unsecured obligations of MTRCI which are unconditionally and irrevocably guaranteed by the Company. The obligations of the Company under the guarantee are direct, unsecured, unconditional, and unsubordinated to other unsecured and unsubordinated obligations of the Company.

35 Loans and Other Obligations *(continued)*

D Lease Liabilities

At 31 December 2023 and 2022, the Group had lease liabilities as follows:

	2023		2022	
in HK$ million	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	**232**	**248**	504	519
After 1 year but within 2 years	**182**	**193**	202	214
After 2 years but within 5 years	**153**	**167**	204	220
After 5 years	**153**	**163**	203	219
	488	**523**	609	653
	720	**771**	1,113	1,172
Less: Total future interest expenses		**(51)**		(59)
Present value of lease obligations		**720**		1,113

E Guarantees and Pledges

(i) There were no guarantees given by the HKSAR Government in respect of the loan facilities of the Group as at 31 December 2023 and 2022.

(ii) As at 31 December 2023, MTR Corporation (Shenzhen) Limited has pledged the fare and non-fare revenue and the benefits of insurance contracts in relation to Phase 2 of Shenzhen Metro Line 4 as security for the RMB725 million (HK$798 million) bank loan facility granted to it.

(iii) As at 31 December 2023, MTR CREC Metro (Shenzhen) Company Limited, a subsidiary of the Company in Mainland China, has pledged the fare and non-fare revenue in relation to Shenzhen Metro Line 13 as security for the RMB3.20 billion (HK$3.52 billion) bank loan facility granted to it.

Saved as disclosed above and those disclosed elsewhere in the consolidated financial statements, none of the other assets of the Group was charged or subject to any encumbrance as at 31 December 2023.

36 Creditors, Other Payables and Provisions

in HK$ million	2023	2022
Creditors and accrued charges	**21,255**	19,583
Other payables, deferred income and provisions (notes 22B(b)(ii) & (c)(ii))	**52,303**	47,522
Contract liabilities	**3,124**	2,587
	76,682	69,692

A Creditors and Accrued Charges

The analysis of creditors by due dates is as follows:

in HK$ million	2023	2022
Due within 30 days or on demand	**9,191**	8,143
Due after 30 days but within 60 days	**2,188**	2,012
Due after 60 days but within 90 days	**951**	886
Due after 90 days	**4,460**	4,544
	16,790	15,585
Rental and other refundable deposits	**2,498**	2,459
Accrued employee benefits	**1,967**	1,539
	21,255	19,583

The Group's general payment terms are one to two months from the invoice date.

The nominal values of creditors and accrued charges are not significantly different from their fair values.

36 Creditors, Other Payables and Provisions *(continued)*

A Creditors and Accrued Charges *(continued)*

Included in creditors and accrued charges are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

in million	2023	2022
Australian dollars	**13**	13
Euros	**13**	14
Japanese yen	**448**	280
Pound sterling	**11**	9
Renminbi	**90**	90
United States dollars	**36**	27

B Other Payables, Deferred Income and Provisions

Other payables included contract retentions. Deferred income related to (i) the surplus amounts of payments received from property developers in excess of the balance in property development in progress, (ii) portion of fair value amount of shopping mall received from property development in connection with the outstanding risks and obligations retained by the Group (note 13) as well as (iii) the unutilised government grant of HK$30,480 million (2022: HK$31,522 million).

C Contract Liabilities

Movements in contract liabilities of the Group during the year ended 31 December are as follows:

in HK$ million	2023	2022
Balance as at 1 January	**2,587**	2,874
Increase in contract liabilities as a result of billing in advance	**896**	386
Decrease in contract liabilities as a result of revenue recognised during the year that was included in the contract liabilities at the beginning of the year	**(368)**	(576)
Exchange differences	**9**	(97)
Balance as at 31 December	**3,124**	2,587

Contract liabilities mainly arise from construction contracts and other project arrangements, when the Group receives a deposit before the activity commences and until the revenue recognised on the project exceeds the amount of the deposit received. The payment terms are negotiated on a case by case basis with customers.

D As at 31 December 2023, except for unutilised government grant included in deferred income, contract liabilities and others of HK$56,873 million (2022: HK$52,075 million) which were expected to be settled or recognised as income after one year, all remaining creditors and other payables were expected to be settled or recognised as income within one year. The amounts due after one year for the Group as at 31 December 2023 mainly relate to rental deposits received from investment property and station kiosk tenants and advance income received, majority of which are due to be repaid/refunded within three years. The Group considers the effect of discounting would be immaterial.

37 Amounts Due to Related Parties

in HK$ million	2023	2022
Amounts due to:		
– HKSAR Government	**128**	145
– KCRC	**2,420**	387
– associates	**66**	60
	2,614	592

The amount due to the HKSAR Government as at 31 December 2023 relates to land administrative fees in relation to railway extensions.

The amount due to KCRC as at 31 December 2023 mainly relates to the accrued portion of the fixed annual payment and variable annual payment that is expected to be settled within 12 months.

38 Obligations under Service Concession

Movements of the Group's obligations under service concessions are as follows:

in HK$ million	2023	2022
Balance as at 1 January	**10,142**	10,231
Less: Net amount repaid during the year	**(81)**	(75)
Exchange differences	**(2)**	(14)
Balance as at 31 December	**10,059**	10,142

The outstanding balances as at 31 December 2023 and 2022 are repayable as follows:

	2023			2022		
in HK$ million	Present value of payment obligations	Interest expense relating to future periods	Total payment obligations	Present value of payment obligations	Interest expense relating to future periods	Total payment obligations
Amounts repayable beyond 5 years	**9,577**	**12,310**	**21,887**	9,689	13,016	22,705
Amounts repayable within a period of between 2 and 5 years	**308**	**1,975**	**2,283**	289	1,995	2,284
Amounts repayable within a period of between 1 and 2 years	**90**	**671**	**761**	84	678	762
Amounts repayable within 1 year	**84**	**677**	**761**	80	682	762
	10,059	**15,633**	**25,692**	10,142	16,371	26,513

39 Loans from Holders of Non-controlling Interests

Loans from holders of non-controlling interests as at 31 December 2023 mainly represents the portion of total shareholder loan of AUD60 million (HK$320 million) (2022: AUD60 million (HK$317 million)) granted to Metro Trains Australia Pty. Ltd. ("MTA") by the holders of its non-controlling interests. The loan carries an interest rate of 6.2% per annum and is repayable at the discretion of MTA or on 1 December 2024, whichever is earlier.

40 Income Tax in the Consolidated Statement of Financial Position

A Current taxation in the consolidated statement of financial position includes:

in HK$ million	2023	2022
Balance relating to Hong Kong Profits Tax	**1,468**	2,833
Balance relating to tax outside Hong Kong	**155**	120
	1,623	2,953

B Deferred Tax Assets and Liabilities Recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Deferred tax arising from							
in HK$ million	Depreciation allowances in excess of related depreciation	Right-of-use assets	Lease liabilities	Revaluation of properties	Provision and other temporary differences	Cash flow hedges	Tax losses	Total
2023								
Balance as at 1 January 2023	**13,980**	**56**	**(115)**	**799**	**(509)**	**18**	**(135)**	**14,094**
Charged/(credited) to profit or loss	**638**	**4**	**14**	**(34)**	**(102)**	**–**	**68**	**588**
Charged/(credited) to other comprehensive income	**–**	**–**	**–**	**5**	**(53)**	**(120)**	**–**	**(168)**
Reclassified as disposal group held for sale (note 49)	**–**	**1**	**–**	**–**	**–**	**–**	**28**	**29**
Exchange differences	**–**	**1**	**(5)**	**(4)**	**9**	**–**	**4**	**5**
Balance as at 31 December 2023	**14,618**	**62**	**(106)**	**766**	**(655)**	**(102)**	**(35)**	**14,548**
2022								
Balance as at 1 January 2022	13,598	71	(156)	786	(377)	1	(104)	13,819
Charged/(credited) to profit or loss	383	(11)	27	3	(152)	–	(44)	206
Charged/(credited) to other comprehensive income	–	–	–	9	(38)	17	–	(12)
Exchange differences	(1)	(4)	14	1	58	–	13	81
Balance as at 31 December 2022	13,980	56	(115)	799	(509)	18	(135)	14,094

Deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

in HK$ million	2023	2022
Net deferred tax assets	**(603)**	(606)
Net deferred tax liabilities	**15,151**	14,700
	14,548	14,094

C The Group has not recognised deferred tax assets in respect of some of its subsidiaries' cumulative tax losses of HK$3,420 million (2022: HK$844 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities.

41 Share Capital, Shares Held for Executive Share Incentive Scheme, Reserves, Company-level Movements in Components of Equity and Capital Management

A Share Capital

	2023		2022	
	Number of shares	HK$ million	Number of shares	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**6,202,060,784**	**60,547**	6,193,462,514	60,184
Shares issued in respect of scrip dividend of 2022/2021 final ordinary dividend	**12,108,603**	**438**	5,772,961	246
Shares issued in respect of scrip dividend of 2023/2022 interim ordinary dividend	**3,027,895**	**97**	2,825,309	113
Vesting of shares of Executive Share Incentive Scheme	**–**	**1**	–	4
At 31 December	**6,217,197,282**	**61,083**	6,202,060,784	60,547

In accordance with section 135 of the Companies Ordinance, the ordinary shares of the Company do not have a par value.

B Shares Held for Executive Share Incentive Scheme

During the year ended 31 December 2023, the Company awarded Performance Shares and Restricted Shares under the Company's Executive Share Incentive Scheme to certain eligible employees of the Group (note 44). A total of 42,850 Performance Shares and 2,561,550 Restricted Shares were awarded and accepted by the grantees on 11 April 2023, and 60,900 Restricted Shares were awarded and accepted by a grantee on 25 September 2023 (2022: 132,000 Restricted Shares were awarded and accepted by a grantee on 1 April 2022, and a total of 240,700 Performance Shares and 2,507,250 Restricted Shares were awarded and accepted by the grantees on 8 April 2022). The fair values of these awarded shares were HK$39.10 per share on 11 April 2023 and HK$30.30 per share on 25 September 2023 (2022: HK$42.35 per share on 1 April 2022 and HK$42.05 per share on 8 April 2022).

During the year ended 31 December 2023, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the Hong Kong Stock Exchange a total of 2,370,900 Ordinary Shares (2022: 2,560,000 Ordinary Shares) of the Company for a total consideration of approximately HK$93 million (2022: HK$109 million). During the year ended 31 December 2023, 67,245 Ordinary Shares (2022: 62,581 Ordinary Shares) of the Company were issued to the Executive Share Incentive Scheme in relation to scrip dividend issued amounting to HK$2 million (2022: HK$3 million).

During the year ended 31 December 2023, 2,040,524 award shares (2022: 2,172,518 award shares) were transferred to the awardees under the Executive Share Incentive Scheme upon vesting. The total cost of the vested shares was HK$88 million (2022: HK$95 million). During the year ended 31 December 2023, HK$1 million (2022: HK$4 million) was credited to share capital in respect of vesting of shares whose fair values at the grant date were higher than the costs of the vested shares. During the year ended 31 December 2023, 223,120 award shares (2022: 255,491 award shares) were lapsed/forfeited.

As at 31 December 2023, taking into account the shares acquired out of the dividends from the shares held under the trust, there were 6,494,757 shares (2022: 6,097,136 shares) held in trust under the Executive Share Incentive Scheme (excluding shares vested but not yet transferred to awardees).

41 Share Capital, Shares Held for Executive Share Incentive Scheme, Reserves, Company-level Movements in Components of Equity and Capital Management *(continued)*

C Reserves

The fixed assets revaluation reserve is used to deal with the surpluses or deficits arising from the revaluation of self-occupied buildings (note 2E(ii)).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges as explained in note 2T(ii).

The employee share-based capital reserve comprises the share-based payment expenses recognised in respect of award shares under the Executive Share Incentive Scheme granted which are yet to be vested, as explained in the accounting policy under note 2U(iii).

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities. The reserve is dealt with in accordance with the accounting policy set out in note 2AA.

Apart from retained profits, the other reserves are not available for distribution to shareholders because they do not constitute realised profits. In addition, the Company considers the cumulative surpluses on fair value measurement of investment properties of HK$66,776 million (2022: HK$65,237 million) included in retained profits of the Company are non-distributable as they do not constitute realised profits. As at 31 December 2023, the Company considers that the total amount of reserves of the Company available for distribution to shareholders amounted to HK$41,036 million (2022: HK$43,684 million).

Included in the Group's retained profits as at 31 December 2023 is an amount of HK$4,425 million (2022: HK$3,837 million), being the retained profits attributable to the associates and joint ventures.

D Capital Management

The Group's primary objectives in managing capital are to safeguard its ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide an adequate return to its shareholders.

The Group manages the amount of capital in proportion to risk, and makes adjustments to its capital structure through the amount of dividend payment to shareholders, issuance of scrip and new shares, and managing its debt portfolio in conjunction with projected financing requirement. The FSI of the HKSAR Government is the majority shareholder of the Company holding 4,634,173,932 shares as at 31 December 2023, representing 74.54% of total equity interest in the Company.

The Group monitors capital on the basis of the net debt-to-equity ratio, which is calculated based on net borrowings as a percentage of the total equity, where net borrowings are represented by the aggregate of loans and other obligations, obligations under service concession and loans from holders of non-controlling interests net of cash, bank balance and deposits. As at 31 December 2023, the Group's net debt-to-equity ratio is 26.5% (2022: 23.3%).

Fasttrack Insurance Ltd. is required to maintain a minimum level of shareholders' fund based on the Bermuda Insurance Act. MTR Corporation (Shenzhen) Limited is required to maintain a registered capital at or above 40% of the total investment for the SZL4 project in accordance with the concession agreement. MTR Property Development (Shenzhen) Company Limited is required to maintain a registered capital at or above 33% of the total investment based on Jianfang [2015] No. 122. Metro Trains Melbourne Pty. Ltd. is required to maintain total shareholders' funds at a specified amount in accordance with the franchise agreement. All the Group's subsidiaries in Sweden are required to maintain total shareholders' fund at or above 50% of their respective registered share capital based on the Swedish Companies Act. MTR Travel Limited is required to maintain a certain level of paid-up capital in order to maintain membership of the Travel Industry Council of Hong Kong. As at 31 December 2023, all these capital requirements were met. Apart from these, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements.

41 Share Capital, Shares Held for Executive Share Incentive Scheme, Reserves, Company-level Movements in Components of Equity and Capital Management *(continued)*

E Company-level Movements in Components of Equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

				Other reserves				
in HK$ million	Note	Share capital	Shares held for Executive Share Incentive Scheme	Fixed assets revaluation reserve	Hedging reserve	Employee share-based capital reserve	Retained profits	Total equity
2023								
Balance as at 1 January 2023	50	**60,547**	**(262)**	**3,824**	**(59)**	**146**	**108,980**	**173,176**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**7,896**	**7,896**
Other comprehensive income/(loss) for the year		**–**	**–**	**24**	**(608)**	**–**	**(266)**	**(850)**
Total comprehensive income/(loss) for the year		**–**	**–**	**24**	**(608)**	**–**	**7,630**	**7,046**
Amounts transferred from hedging reserve to initial carrying amount of hedged items		**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
2022 final ordinary dividend		**–**	**–**	**–**	**–**	**–**	**(5,520)**	**(5,520)**
Shares issued in respect of scrip dividend of 2022 final ordinary dividend		**438**	**(2)**	**–**	**–**	**–**	**2**	**438**
2023 interim ordinary dividend		**–**	**–**	**–**	**–**	**–**	**(2,610)**	**(2,610)**
Shares issued in respect of scrip dividend of 2023 interim ordinary dividend		**97**	**–**	**–**	**–**	**–**	**–**	**97**
Shares purchased for Executive Share Incentive Scheme		**–**	**(93)**	**–**	**–**	**–**	**–**	**(93)**
Vesting and forfeiture of award shares of Executive Share Incentive Scheme		**1**	**88**	**–**	**–**	**(87)**	**(2)**	**–**
Employee share-based payments		**–**	**–**	**–**	**–**	**119**	**–**	**119**
Balance as at 31 December 2023	50	**61,083**	**(269)**	**3,848**	**(668)**	**178**	**108,480**	**172,652**
2022								
Balance as at 1 January 2022		60,184	(245)	3,781	(172)	124	108,035	171,707
Profit for the year		–	–	–	–	–	10,056	10,056
Other comprehensive income/(loss) for the year		–	–	43	110	–	(190)	(37)
Total comprehensive income for the year		–	–	43	110	–	9,866	10,019
Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	3	–	–	3
2021 final ordinary dividend		–	–	–	–	–	(6,317)	(6,317)
Shares issued in respect of scrip dividend of 2021 final ordinary dividend		246	(2)	–	–	–	2	246
2022 interim ordinary dividend		–	–	–	–	–	(2,604)	(2,604)
Shares issued in respect of scrip dividend of 2022 interim ordinary dividend		113	(1)	–	–	–	1	113
Shares purchased for Executive Share Incentive Scheme		–	(109)	–	–	–	–	(109)
Vesting and forfeiture of award shares of Executive Share Incentive Scheme		4	95	–	–	(96)	(3)	–
Employee share-based payments		–	–	–	–	118	–	118
Balance as at 31 December 2022	50	60,547	(262)	3,824	(59)	146	108,980	173,176

42 Other Cash Flows Information

A Reconciliation of the Group's operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment arising from recurrent businesses to cash generated from operations is as follows:

in HK$ million	2023	2022
Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment arising from recurrent businesses	**15,323**	7,852
Adjustments for non-cash items	**124**	527
Operating profit before working capital changes	**15,447**	8,379
Increase in debtors and other receivables	**(1,682)**	(307)
Increase in stores and spares	**(283)**	(185)
Decrease in creditors, other payables and provisions	**(11)**	(57)
Cash generated from operations	**13,471**	7,830

B Reconciliation of the Group's liabilities arising from financing activities is as follows:

	Loans and other obligations						
in HK$ million	Capital market instruments	Bank loans	Lease liabilities	Others	Short-term loans	Interest and finance charges payables	Total
2023							
At 1 January 2023	**40,794**	**3,773**	**1,113**	**574**	**1,592**	**205**	**48,051**
Changes from financing cash flows:							
– Proceeds from loans and capital market instruments	**16,144**	**999**	**–**	**–**	**56,914**	**–**	**74,057**
– Repayment of loans and capital market instruments	**(2,726)**	**(2,395)**	**–**	**–**	**(57,058)**	**–**	**(62,179)**
– Capital element of lease rentals paid	**–**	**–**	**(567)**	**–**	**–**	**–**	**(567)**
– Interest and finance charges paid	**–**	**–**	**–**	**–**	**–**	**(1,869)**	**(1,869)**
	13,418	**(1,396)**	**(567)**	**–**	**(144)**	**(1,869)**	**9,442**
Exchange differences	**–**	**(32)**	**19**	**1**	**(3)**	**–**	**(15)**
Other changes:							
– Adjustment due to fair value change of financial instruments	**166**	**–**	**–**	**–**	**–**	**–**	**166**
– Recognition of lease liabilities	**–**	**–**	**155**	**–**	**–**	**–**	**155**
– Interest and finance charges	**–**	**–**	**–**	**28**	**–**	**1,953**	**1,981**
– Reclassification	**–**	**66**	**–**	**–**	**(66)**	**–**	**–**
	166	**66**	**155**	**28**	**(66)**	**1,953**	**2,302**
At 31 December 2023	**54,378**	**2,411**	**720**	**603**	**1,379**	**289**	**59,780**

42 Other Cash Flows Information *(continued)*

B Reconciliation of the Group's liabilities arising from financing activities is as follows *(continued)*:

in HK$ million	Loans and other obligations						
	Capital market instruments	Bank loans	Lease liabilities	Others	Short-term loans	Interest and finance charges payables	Total
2022							
At 1 January 2022	37,027	3,501	1,026	548	1,650	139	43,891
Changes from financing cash flows:							
– Proceeds from loans and capital market instruments	10,287	3,053	–	–	28,306	–	41,646
– Repayment of loans and capital market instruments	(5,750)	(2,549)	–	–	(28,430)	–	(36,729)
– Capital element of lease rentals paid	–	–	(149)	–	–	–	(149)
– Interest and finance charges paid	–	–	–	–	–	(961)	(961)
	4,537	504	(149)	–	(124)	(961)	3,807
Exchange differences	–	(159)	(51)	–	(7)	–	(217)
Other changes:							
– Adjustment due to fair value change of financial instruments	(770)	–	–	–	–	–	(770)
– Recognition of lease liabilities	–	–	287	–	–	–	287
– Interest and finance charges	–	–	–	26	–	1,027	1,053
– Reclassification	–	(73)	–	–	73	–	–
	(770)	(73)	287	26	73	1,027	570
At 31 December 2022	40,794	3,773	1,113	574	1,592	205	48,051

C Total Cash Outflows for Leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

in HK$ million	**2023**	2022
Within operating cash flows	**27**	46
Within financing cash flows	**607**	264
	634	310

These amounts relate to the leases of the following:

in HK$ million	**2023**	2022
Buildings	**192**	214
Plant and equipment	**442**	116
	634	330

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43 Fair Value Measurement

In accordance with HKFRS 13, *Fair Value Measurement*, the level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3: Fair value measured using significant unobservable inputs

A Fair Value Measurements of Fixed Assets

All of the Group's investment properties and self-occupied buildings measured at fair value on a recurring basis are categorised as Level 3 of the fair value hierarchy.

During the year ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in respect of the Group's investment properties and self-occupied buildings. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All the Group's investment properties and self-occupied buildings were revalued as at 31 December 2023 and 2022 by independent qualified surveyors. The Group's senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

The fair value of all the Group's self-occupied buildings is determined on a recurring basis using primarily the direct comparison approach assuming sale of properties in their existing state with vacant possession.

The property interests of all the shopping malls and office accommodation held by the Group as investment properties have been valued using the income capitalisation approach. Under this approach, the market value is derived from the capitalisation of the rental revenue to be received under existing tenancies and the estimated full market rental value to be received upon expiry of the existing tenancies with reference to the market rental levels prevailing as at the date of valuation by an appropriate single market yield rate. The range of market yield rate adopted for the valuation of major investment properties as at 31 December 2023 was 3.5% – 5.75% (2022: 3.5% – 5.75%) with a weighted average of 4.8% (2022: 4.8%). The fair value measurement is negatively correlated to the market yield rate.

The movements of investment properties during the year ended 31 December 2023 are shown in note 20A. All the fair value adjustment related to remeasurement on investment properties held as at 31 December 2023 was recognised under "Gain/(loss) from fair value measurement of investment properties" in the consolidated statement of profit or loss.

B Fair Value Measurements of Financial Instruments

(i) Financial Assets and Liabilities Carried at Fair Value

Included in the Group's investments in securities as at 31 December 2023, there were HK$298 million (2022: HK$290 million) of listed debt securities carried at fair value using Level 1 measurements and HK$564 million (2022: HK$669 million) of unlisted equity securities carried at fair value using Level 3 measurements.

The Group's derivative financial instruments were carried at fair value using Level 2 measurements. As at 31 December 2023, the fair values of derivative financial assets and derivative financial liabilities were HK$240 million (2022: HK$216 million) and HK$1,710 million (2022: HK$1,104 million) respectively.

Included in the Group's cash, bank balances and deposits as at 31 December 2022, there were HK$1,718 million of structured bank deposits carried at fair value using Level 3 measurements. The fair values of structured bank deposits were based on the statements provided by the counterparty financial institutions.

43 Fair Value Measurement *(continued)*

B Fair Value Measurements of Financial Instruments *(continued)*

The discounted cash flow method, which discounts the future contractual cash flows at the current market interest rates, is the main valuation technique used to determine the fair value of the Group's borrowings and derivative financial instruments. For interest rate swaps, cross currency swaps and foreign exchange forward contracts, the discount rates used were derived from the swap curves of the respective currencies and the cross currency basis curves of the respective currency pairs at the end of the reporting period. Closing exchange rates at the end of the reporting period were used to convert value in foreign currency to local currency.

The fair value of the Group's investments in unlisted equity securities is determined based on the adjusted net asset method. The significant unobservable input includes the fair value of the individual assets less liabilities (recognised and unrecognised). The fair value measurement is positively correlated to the fair value of the individual assets less liabilities (recognised and unrecognised). The movements of the investments in unlisted equity securities during the year are as follows:

in HK$ million	**2023**	2022
At 1 January	**669**	708
Additions	**66**	39
Disposal	**(203)**	(57)
Changes in fair value recognised in profit or loss	**46**	38
Exchange differences recognised in other comprehensive income	**(14)**	(59)
At 31 December	**564**	669

As at 31 December 2023, it is estimated that a 5-percent increase/decrease (2022: 5-percent increase/decrease) in fair value of the total individual assets less liabilities (recognised and unrecognised), with all other variables held constant, would increase/decrease the Group's profit after tax by approximately HK$22 million/HK$22 million (2022: HK$25 million/HK$25 million).

During the year ended 31 December 2023, the disposal of structured bank deposits amounted to HK$1,718 million (31 December 2022: additions amounted to HK$1,718 million). As at 31 December 2022, the fair value of structured bank deposits was HK$1,718 million. The fair value was determined by discounting the estimated future cash inflows considering the interest rates and exchange rates linked to the deposits. Sensitivity analysis for structured bank deposits with fair value measurement are not disclosed as the effect is considered insignificant.

At the end of each interim and annual reporting period, valuations are performed for the financial instruments which are categorised into Level 3 of the fair value hierarchy, and the valuation assumptions and results are reviewed by the Group's management accordingly.

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Financial Assets and Liabilities Not Carried at Fair Value

The carrying amounts of the Group's financial assets and liabilities not carried at fair value are not materially different from their fair values as at 31 December 2023 and 2022 except for capital market instruments and other obligations, for which their carrying amounts and fair values are disclosed below:

	At 31 December 2023		At 31 December 2022	
in HK$ million	Carrying amount	Fair value	Carrying amount	Fair value
Capital market instruments	**54,378**	**53,002**	40,794	38,860
Other obligations	**1,323**	**1,321**	1,687	1,691

The above fair value measurement is categorised as Level 2. The discount cash flow method, which discounts the future contractual cash flows at the current market interest rates, is the main valuation technique used to determine the fair value of the Group's capital market instruments and other obligations. The discount rates used were derived from the swap curves of the respective currencies at the end of the reporting period. Closing exchange rates at the end of the reporting period were used to convert value in foreign currency to local currency.

44 Share-based Payments

Equity-settled Share-based Payments – Executive Share Incentive Scheme

On 15 August 2014, the Board of the Company approved the adoption of the Executive Share Incentive Scheme, following the expiry of the 2007 Option Scheme on 6 June 2014. The purposes of the Executive Share Incentive Scheme are to retain management and key employees, to align participants' interest with the long-term success of the Company and to drive the achievement of strategic objectives of the Company. The Executive Share Incentive Scheme took effect on 1 January 2015 for a term of 10 years, under which an award holder may be granted an award of Restricted Shares and/or Performance Shares (collectively known as "Award Shares"). Restricted Shares are awarded to selective eligible employees. Performance Shares are awarded to eligible employees which vest subject to the performance of the Company over a pre-determined performance period, assessed by reference to such Board-approved performance metric and in respect of such performance period and any other performance conditions as determined by the Remuneration Committee from time to time.

Subject to the Scheme Rules, the Remuneration Committee shall determine the vesting criteria and conditions or periods for the Award Shares to be vested, subject to review from time to time. An award of Restricted Shares will vest ratably over three years in equal tranches (unless otherwise determined by the Remuneration Committee). An award of Performance Shares will vest upon certification by the Remuneration Committee that the relevant performance metric and performance conditions have been achieved. The Executive Share Incentive Scheme will be administered by the Company in accordance with the Scheme Rules and the Company has entered into a Trust Deed with the Trustee for the purpose of implementing the Scheme. The number of Award Shares will be acquired in the market at the cost of the Company by the Trustee. Award Shares will be held on trust by the Trustee until the end of each vesting period.

The following awards of shares with vesting period falling in the years ended 31 December 2023 and 2022 were offered to Members of the Executive Directorate and selected employees of the Group under the Executive Share Incentive Scheme:

	Number of Award Shares granted		Fair value per share	Vesting period	
Date of award	Restricted Shares	Performance Shares	HK$	From	To
1 April 2019	120,000	–	48.90	1 April 2019	31 March 2022
8 April 2019	1,942,150	244,650	48.40	1 April 2019	1 April 2022 (Restricted Shares) 3 April 2021 (Performance Shares)
8 April 2020	2,334,750	6,950	41.90	1 April 2020	1 April 2023 (Restricted Shares) 3 April 2021 (Performance Shares)
8 April 2021	1,955,950	1,558,050	44.05	1 April 2021	1 April 2024 (Restricted Shares) 1 April 2024 (Performance Shares)
1 April 2022	132,000	–	42.35	1 April 2022	31 March 2025
8 April 2022	2,507,250	240,700	42.05	1 April 2022	1 April 2025 (Restricted Shares) 1 April 2024 (Performance Shares)
11 April 2023	**2,561,550**	**42,850**	**39.10**	**3 April 2023**	**3 April 2026 (Restricted Shares) 1 April 2024 (Performance Shares)**
25 September 2023	**60,900**	**–**	**30.30**	**19 September 2023**	**19 September 2026**

Movement in the number of Award Shares outstanding was as follows:

	2023	2022
	Number of Award Shares	Number of Award Shares
Outstanding as at 1 January	**5,824,808**	5,372,867
Awarded during the year	**2,665,300**	2,879,950
Vested during the year	**(2,040,524)**	(2,172,518)
Forfeited during the year	**(223,120)**	(255,491)
Outstanding as at 31 December	**6,226,464**	5,824,808

44 Share-based Payments *(continued)*

Equity-settled Share-based Payments – Executive Share Incentive Scheme *(continued)*

Award Shares outstanding at 31 December 2023 had the following remaining vesting periods:

Award Shares	Remaining vesting period years	Number of Award Shares
Restricted Shares		
8 April 2021	0.25	497,096
1 April 2022	1.25	132,000
8 April 2022	1.25	1,423,668
11 April 2023	**2.25**	**2,447,000**
25 September 2023	**2.72**	**60,900**
Performance Shares		
8 April 2021	0.25	1,426,750
8 April 2022	0.25	196,200
11 April 2023	**0.25**	**42,850**

The details of the Executive Share Incentive Scheme are also disclosed in the Remuneration Report.

During the year ended 31 December 2023, the equity-settled share-based payments relating to the Executive Share Incentive Scheme recognised as an expense amounted to HK$119 million (2022: HK$118 million) (note 10A).

45 Retirement Schemes

The Group operates or participates in a number of retirement schemes in Hong Kong, Mainland China, Macao, the United Kingdom, Sweden and Australia. The assets of these schemes are held under the terms of separate trust arrangements so that the assets are kept separate from those of the Group. The majority of the Group's employees are covered by the retirement schemes operated by the Company.

A Retirement Schemes Operated by the Company in Hong Kong

The Company operated four retirement schemes under trust in Hong Kong during the year ended 31 December 2023, including the MTR Corporation Limited Retirement Scheme (the "MTR Retirement Scheme"), the MTR Corporation Limited Provident Fund Scheme (the "MTR Provident Fund Scheme") and two MPF Schemes, the "MTR MPF Scheme" and the "KCRC MPF Scheme".

Currently, new eligible employees can choose between the MTR Provident Fund Scheme and the MTR MPF Scheme while the MTR MPF Scheme covers employees who did not opt for or who are not eligible to join the MTR Provident Fund Scheme.

(i) MTR Retirement Scheme

The MTR Retirement Scheme is a defined benefit scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO") and has been granted with an MPF Exemption Certificate by the Mandatory Provident Fund Schemes Authority (the "MPFA").

The MTR Retirement Scheme had been closed to new employees from 1 April 1999 onwards. It is administrated in accordance with the Trust Deed and Rules by the Board of Trustees, comprising management and employee representatives, and independent non-employer trustees. It provides benefits based on the greater of a multiple of final salary times years of service and a factor times the accumulated member contributions with investment returns. Members' contributions are based on fixed percentages of base salary. The Company's contributions are determined by reference to an annual actuarial valuation carried out by an independent actuarial consulting firm. As at 31 December 2023, the total number of members was 2,313 (2022: 2,571). In 2023, members contributed HK$52 million (2022: HK$55 million) and the Company contributed HK$73 million (2022: HK$25 million) to the MTR Retirement Scheme. The fair value of scheme assets of the MTR Retirement Scheme excluding the portion attributable to members' voluntary contributions as at 31 December 2023 was HK$7,316 million (2022: HK$7,500 million).

The actuarial valuations as at 31 December 2023 and 2022 to determine the accounting obligations in accordance with HKAS 19, *Employee Benefits*, were carried out by an independent actuarial consulting firm, Towers Watson Hong Kong Limited ("WTW"), which is represented by Ms Wing Lui, a Fellow of the Society of Actuaries of the United States of America, using the Projected Unit Credit Method. The results of the valuation are shown in note 46.

The actuarial valuations as at 31 December 2023 and 2022 to determine the cash funding requirements were also carried out by Ms Wing Lui of WTW using the Attained Age Method. The principal actuarial assumptions used for the valuation as at 31 December 2023 included a long-term rate of investment return net of salary increases of 1.90% (2022: 2.50%) per annum, together with appropriate allowances for expected rates of mortality, turnover and retirement.

45 Retirement Schemes *(continued)*

A Retirement Schemes Operated by the Company in Hong Kong *(continued)*

As at the valuation date of 31 December 2023, under the situation that the value of members' voluntary contributions was included:

(a) the MTR Retirement Scheme was solvent, covering 100.4% (2022: 100.2%) of the aggregate vested liability had all members left service with their leaving service benefits secured, resulting in a solvency surplus of HK$30 million (2022: HK$19 million); and

(b) on the assumption that the MTR Retirement Scheme would continue in force, its value of assets was more than sufficient to cover the aggregate past service liability, with a funding level of 100.3% (2022: 100.2%), representing a past service surplus of HK$25 million (2022: HK$16 million).

(ii) MTR Provident Fund Scheme

The MTR Provident Fund Scheme is a defined contribution scheme registered under the ORSO and has been granted with an MPF Exemption Certificate by the MPFA. All benefits payable under the MTR Provident Fund Scheme are calculated by reference to members' own contributions and the Company's contributions, investment returns on these contributions, together with year of services. Both members' and the Company's contributions are based on fixed percentages of members' base salary.

As at 31 December 2023, the total number of employees participating in the MTR Provident Fund Scheme was 10,717 (2022: 10,397). In 2023, total members' contributions were HK$180 million (2022: HK$164 million) and total contributions from the Company were HK$405 million (2022: HK$374 million). No contributions forfeited by employees leaving the scheme were utilised to offset contributions during the year (2022: HK$48 million were utilised). As at 31 December 2023, forfeited contributions of HK$90 million (2022: HK$70 million) were available to reduce the contributions payable in future years. The net asset value as at 31 December 2023 was HK$7,049 million (2022: HK$6,583 million).

(iii) MTR MPF Scheme

The MTR MPF Scheme is a defined contribution scheme covered under an MPF master trust registered with the MPFA. It covers those employees who did not opt for or who are not eligible to join the MTR Retirement Scheme or the MTR Provident Fund Scheme. Both members and the Company each contribute to the MTR MPF Scheme at the mandatory levels as required by the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (the "MPFSO"). The Company makes additional contributions above the mandatory level for eligible members who joined the MTR MPF Scheme before 1 April 2008, subject to individual terms of employment.

As at 31 December 2023, the total number of employees participating in the MTR MPF Scheme was 5,382 (2022: 4,773). In 2023, total members' contributions were HK$58 million (2022: HK$51 million) and total contribution from the Company were HK$63 million (2022: HK$55 million). No contributions forfeited by employees leaving the scheme were utilised to offset contributions during the year (2022: HK$nil). As at 31 December 2023, there were no forfeited contributions (2022: HK$nil) available to reduce the contributions payable in future years.

(iv) KCRC MPF Scheme

The KCRC MPF Scheme is a defined contribution scheme covered under an MPF master trust registered with the MPFA. It covers those former KCRC employees who were previously members of the KCRC MPF Scheme and are eligible to join the MTR Provident Fund Scheme but opt to re-join the KCRC MPF Scheme. Both members and the Company each contribute to the KCRC MPF Scheme at the mandatory levels as required by the MPFSO.

As at 31 December 2023, the total number of employees participating in the KCRC MPF Scheme was 214 (2022: 257). In 2023, total members' contributions were HK$3 million (2022: HK$3 million) and total contribution from the Company were HK$3 million (2022: HK$3 million). No contributions forfeited by employees leaving the scheme were utilised to offset contributions during the year (2022: HK$nil). As at the end of the reporting period, no forfeited contributions (2022: HK$nil) available to reduce the contributions payable in future years.

B Retirement Schemes for Employees of Mainland China and Overseas Offices of the Company and Subsidiaries

Employees not eligible for joining the retirement schemes operated by the Company in Hong Kong are covered by the retirement schemes established by their respective Mainland China and overseas offices or subsidiary companies or in accordance with respective applicable labour regulations.

Certain employees of the Group's Australian subsidiary are entitled to receive retirement benefits from the Emergency Services Superannuation Scheme operated in Australia. The benefit amounts are calculated based on the member's years of service and final average salary. The Group does not recognise any defined benefit liability in respect of this scheme because the Group has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay contributions as they fall due. As at 31 December 2023, total number of the Group's employees participating in this scheme was 395 (2022: 451). In 2023, total members' contributions were HK$15 million (2022: HK$20 million) and total contribution from the Group was HK$58 million (2022: HK$60 million).

Certain employees of the Group's Swedish subsidiaries are entitled to receive retirement benefits from the ITP 2 Retirement Scheme operated in Sweden. The benefit amounts are calculated based on the member's years of service and annual salary. The Group does not recognise any defined benefit liability in respect of this scheme because the Group has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay contributions as they fall due. As at 31 December 2023, total number of the Group's employees participating in this scheme was 650 (2022: 717). In 2023, total contribution from the Group was HK$12 million (2022: HK$17 million).

45 Retirement Schemes *(continued)*

B Retirement Schemes for Employees of Mainland China and Overseas Offices of the Company and Subsidiaries *(continued)*

Certain employees of the Group's MTR Crossrail subsidiary are entitled to join the MTR Corporation (Crossrail) section of the Railway Pension Scheme in the United Kingdom. The scheme is a shared cost arrangement whereby the Group is only responsible for a share of the cost. The benefit amounts are calculated based on the member's years of service and final average salary. The Group does not recognise any net defined benefit liability in respect of this scheme because the Group has no legal or constructive obligation for any deficit in the value of the scheme. Its only obligation is to pay contributions as they fall due. As at 31 December 2023, total number of the Group's employees participating in this scheme was 829 (2022: 820). In 2023, total members' contributions were HK$36 million (2022: HK$33 million) and total contribution from the Group was HK$54 million (2022: HK$50 million). Pension expense of HK$132 million (2022: HK$128 million) was recognised in profit or loss and actuarial gain of HK$72 million (2022: HK$72 million) was recognised in the consolidated statement of other comprehensive income.

Except for the retirement schemes described above, all other retirement schemes to cover employees in overseas offices or in subsidiaries in Hong Kong, Mainland China, Macao or overseas are defined contribution schemes. For Hong Kong employees, these schemes are registered under the MPFSO in Hong Kong. For Mainland China, Macao or overseas employees, these schemes are operated in accordance with the respective local laws and regulations. As at 31 December 2023, the total number of employees of the Group participating in these schemes was 17,383 (2022: 16,717). In 2023, total members' contributions were HK$109 million (2022: HK$122 million) and total contribution from the Group was HK$707 million (2022: HK$683 million). During the years ended 31 December 2023 and 2022, the amount of contributions forfeited in accordance to the schemes' rules, if applicable, is not significant.

46 Defined Benefit Retirement Scheme

The Company makes contributions to and recognises defined benefit liabilities in respect of the MTR Retirement Scheme which provides employees with benefits upon retirement or termination of services for other reasons (note 45). This defined benefit scheme exposes the Group to actuarial risks, such as interest rate, salary increase and investment risks. The information about the MTR Retirement Scheme is summarised as below:

A Amounts Recognised in the Consolidated Statement of Financial Position

in HK$ million	**2023**	2022
Present value of defined benefit obligations	**(7,713)**	(7,488)
Fair value of scheme assets	**7,316**	7,500
Net (liabilities)/assets	**(397)**	12

The net liabilities (2022: net assets) are recognised under "Creditors, other payables and provisions" (2022: "Debtors and other receivables") in the consolidated statement of financial position. A portion of the above obligations is expected to be paid after more than one year. However, it is not practicable to segregate this amount from the amounts to be paid in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Company expects to pay HK$97 million in contribution to the MTR Retirement Scheme in 2024.

46 Defined Benefit Retirement Scheme *(continued)*

B Scheme Assets

in HK$ million	2023	2022
Equity securities		
– Financial institutions	**231**	223
– Non-financial institutions	**2,319**	2,016
	2,550	2,239
Bonds		
– Government	**1,971**	1,448
– Non-government	**1,513**	1,371
	3,484	2,819
Cash	**1,498**	2,645
	7,532	7,703
Voluntary units	**(216)**	(203)
	7,316	7,500

The scheme assets did not include any ordinary shares of the Company as at 31 December 2023 and 2022. Also, there were no investment in other shares and debt securities of the Company as at 31 December 2023 and 2022. All of the equity securities and bonds have quoted prices in active markets.

An asset-liability modelling review is performed periodically to analyse the strategic investment policies of the MTR Retirement Scheme. Based on the latest study performed in 2021, the investment strategy was changed in 2021 to about 30% of the scheme assets held in cash and the remaining 70% invested according to a long-term strategic asset allocation of 42.5% in equities and 57.5% in bonds. The 30% of the scheme assets held in cash have been used to pay benefits and expected to be depleted within three years from 2021. After depletion, the long-term strategy asset allocation is expected to return to 42.5% in equities and 57.5% in bonds and cash. There was no change in the investment strategy during the years ended 31 December 2022 and 2023.

C Movements in the Present Value of the Defined Benefit Obligations

in HK$ million	2023	2022
At 1 January	**7,488**	8,887
Remeasurements:		
– Actuarial losses/(gains) arising from changes in liability experience	**151**	(55)
– Actuarial losses/(gains) arising from changes in demographic assumptions	**–**	–
– Actuarial losses/(gains) arising from changes in financial assumptions	**442**	(713)
	593	(768)
Members' contributions paid to the scheme	**52**	55
Benefits paid by the scheme	**(906)**	(1,004)
Current service cost	**164**	196
Interest cost	**322**	122
At 31 December	**7,713**	7,488

The weighted average duration of the present value of the defined benefit obligations was 4.4 years as at 31 December 2023 (2022: 4.5 years).

46 Defined Benefit Retirement Scheme *(continued)*

D Movements in the Fair Value of Scheme Assets

in HK$ million	2023	2022
At 1 January	**7,500**	9,294
Company's contributions paid to the scheme	**73**	25
Members' contributions paid to the scheme	**52**	55
Benefits paid by the scheme	**(906)**	(1,004)
Administrative expenses paid from scheme assets	**(3)**	(3)
Interest income	**326**	128
Return on scheme assets, excluding interest income	**274**	(995)
At 31 December	**7,316**	7,500

E Expenses Recognised in Profit or Loss and Other Comprehensive Income

in HK$ million	2023	2022
Current service cost	**164**	196
Net interest on net defined benefit asset	**(4)**	(6)
Administrative expenses paid from scheme assets	**3**	3
	163	193
Less: Amount capitalised	**(40)**	(42)
Net amount recognised in profit or loss	**123**	151
Actuarial losses/(gains)	**593**	(768)
Return on scheme assets, excluding interest income	**(274)**	995
Amount recognised in other comprehensive income	**319**	227

The retirement scheme expense is recognised under staff costs and related expenses in the consolidated statement of profit or loss.

F Significant Actuarial Assumptions and Sensitivity Analysis

	2023	2022
Discount rate	**3.82%**	4.78%
Future salary increase	**4.60%**	4.00%
Unit value increase	**6.50%**	6.50%

The below analysis shows how the present value of the defined benefit obligations as at 31 December would have increased/(decreased) as a result of 0.25% change in the significant actuarial assumptions:

	2023		2022	
	Increase in 0.25% HK$ million	Decrease in 0.25% HK$ million	Increase in 0.25% HK$ million	Decrease in 0.25% HK$ million
Discount rate	**(82)**	**84**	(80)	82
Future salary increase	**67**	**(64)**	62	(59)
Unit value increase	**17**	**(15)**	22	(20)

The above sensitivity analysis is based on the assumption that changes in these actuarial assumptions are not inter-correlated and therefore the sensitivity estimated does not take into account the correlations between the actuarial assumptions.

47 Material Related Party Transactions

The Financial Secretary Incorporated, which holds approximately 74.54% of the Company's issued share capital on trust for the HKSAR Government as at 31 December 2023, is the majority shareholder of the Company. Transactions between the Group and the HKSAR Government departments or agencies, or entities controlled by the HKSAR Government, other than those transactions such as the payment of fees, taxes, leases and rates, etc. that arise in the normal dealings between the HKSAR Government and the Group, are considered to be related party transactions pursuant to HKAS 24 (revised), *Related Party Disclosures*, and are identified separately in these consolidated financial statements.

Major related party transactions entered into by the Group which are relevant for the current year include:

A On 30 June 2000, the Company was granted by the HKSAR Government a franchise, for an initial period of 50 years, to operate the then existing mass transit railway, and to operate and construct any extension to the railway. On the same day, the Company and the HKSAR Government entered into an operating agreement which laid down the detailed provisions for the design, construction, maintenance and operation of the railway under the franchise. With the Rail Merger, the operating agreement was replaced with effect from 2 December 2007 by a new operating agreement, details of which are set out in note 47C below.

B On 14 July 2000, the Company received a comfort letter from the HKSAR Government pursuant to which the HKSAR Government agreed to extend the period of certain of the Company's land interests so that they are coterminous with the Company's franchise period. To prepare for the Rail Merger, on 3 August 2007, the HKSAR Government wrote to KCRC confirming that, subject to all necessary approvals being obtained, the period of certain of KCRC's land interests (which are the subject of the service concession under the Rail Merger) will be extended so that they are coterminous with the concession period of the Rail Merger.

C In connection with the Rail Merger (note 3), on 9 August 2007, the Company and the HKSAR Government entered into a new operating agreement ("OA"), which is based on the then existing operating agreement referred to in note 47A above. On the Appointed Day, the Company's then existing franchise under the Mass Transit Railway Ordinance was expanded to cover railways other than the then existing MTR railway for an initial period of 50 years from the Appointed Day ("expanded franchise"). A detailed description of the OA is contained in the circular to shareholders in respect of the Extraordinary General Meeting convened to approve the Rail Merger. Such transaction is considered to be a related party transaction and also constitute continuing connected transaction as defined under the Listing Rules.

D Other than the OA described in note 47C above, the Company also entered into principal agreements with KCRC and the HKSAR Government in connection with the Rail Merger. These principal agreements are: (i) Merger Framework Agreement, (ii) Service Concession Agreement, (iii) Sale and Purchase Agreement, (iv) West Rail Agency Agreement, and (v) Property Package Agreements. For the year ended 31 December 2023, amount recoverable or invoiced by the Company under West Rail Agency Agreement is HK$44 million (2022: HK$53 million) and the net amounts payable or paid by the Company in relation to the Service Concession is HK$3,105 million (2022: HK$1,073 million).

The above agreements are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of each of the agreements is contained under the paragraph "Continuing Connected Transactions" in the Report of the Members of the Board.

E The Company entered into the following principal agreements with KCRC and the HKSAR Government in connection with the operation of the High Speed Rail:

(i) An amendment operating agreement, which was entered into with the HKSAR Government on 23 August 2018, to amend and supplement the OA, in order to prescribe the operational requirements that will apply to the High Speed Rail.

(ii) A supplemental service concession agreement, which was entered into with KCRC on 23 August 2018, to supplement the SCA, in order for KCRC to grant a concession to the Company in respect of the High Speed Rail and to prescribe the operational and financial requirements that will apply to the High Speed Rail. During the year ended 31 December 2023, net revenue received or receivable from KCRC in respect of the High Speed Rail amounted to HK$870 million (2022: HK$1,476 million).

The above transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of each of the above agreements is contained under the paragraph "Continuing Connected Transactions" in the Report of the Members of the Board.

47 Material Related Party Transactions *(continued)*

F The Company entered into the following principal agreements with KCRC and the HKSAR Government in connection with the operation of the Shatin to Central Link ("SCL"):

(i) An amendment operating agreement and a supplemental operating agreement, which were entered into with the HKSAR Government on 11 February 2020, to amend and supplement, respectively, the OA, in order to prescribe the operational requirements that will apply to the First Phase of the Tuen Ma Line.

(ii) A supplemental service concession agreement no. 2, which was entered into with KCRC on 11 February 2020, to supplement the SCA, in order for KCRC to grant a concession to the Company in respect of the First Phase of the Tuen Ma Line and to prescribe the operational and financial requirements that will apply to the First Phase of the Tuen Ma Line.

(iii) An amendment operating agreement, a supplemental operating agreement and the Amendment No.1 to Memorandum on Performance Requirements, which were entered into with the HKSAR Government on 21 June 2021, to amend and supplement, respectively, the OA, in order to prescribe the operational requirements that will apply to the Tuen Ma Line, being the first part of the SCL.

(iv) A supplemental service concession agreement no. 3, which was entered into with KCRC on 21 June 2021 and superseded and replaced the supplemental service concession agreement no. 2 dated 11 February 2020 (note 47F(ii)), to supplement the SCA, in order for KCRC to grant a concession to the Company in respect of the Tuen Ma Line, being the first part of the SCL, and to prescribe the operational and financial requirements that will apply to the Tuen Ma Line.

(v) An amendment operating agreement and a supplemental operating agreement, which were entered into with the HKSAR Government on 10 May 2022, to amend and supplement, respectively, the OA, in order to prescribe the operational requirements that will apply to the SCL as a whole.

(vi) A supplemental service concession agreement no. 4, which was entered into with KCRC on 10 May 2022 and superseded and replaced the supplemental service concession agreement no. 3 dated 21 June 2021 (note 47F(iv)), to supplement the SCA, in order for KCRC to grant a concession to the Company in respect of SCL as a whole, and to prescribe the operational and financial requirements that will apply to the SCL as a whole.

During the year ended 31 December 2023, net revenue received or receivable from KCRC in respect of Shatin to Central Link under relevant supplemental service concession agreement amounted to HK$635 million (2022: Tuen Ma Line and Shatin to Central Link of HK$496 million).

The above transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of the agreements (i), (iii), (v) and (vi) above is contained under the paragraph "Continuing Connected Transactions" in the Report of the Members of the Board.

G The Company entered into entrustment agreements with the HKSAR Government for the design, site investigation, procurement activities, construction, testing and commissioning of HSR and SCL. Detailed description of the agreements are provided in notes 22A and 22B. In addition, an amount of HK$347 million was paid/payable to the HKSAR Government (net of amount received/receivable) in 2023 (2022: HK$636 million) under SCL EA3's payment arrangement with the HKSAR Government and relevant contractors.

The above transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of each of the above agreements is contained under the paragraph "Continuing Connected Transactions" in the Report of the Members of the Board.

47 Material Related Party Transactions *(continued)*

H On 23 September 2022, (i) the Company accepted the HKSAR Government's Land Exchange Offer for development of the Company's existing Siu Ho Wan depot and (ii) the Company also entered into the project agreement with the HKSAR Government for the financing, design, construction, pre-operation, operation and maintenance of the Oyster Bay Station to cater for the transportation needs of the new community, together referred to as Oyster Bay Project. The land exchange documents for the Oyster Bay Project was executed by both the Company and the HKSAR Government on 25 November 2022.

The Oyster Bay Project involves, inter alia, re-provision of the existing Siu Ho Wan depot and provision of property enabling works (including roof deck over the depot for top-side property development) to enable property development on the depot site, as well as the construction of a new station, Oyster Bay Station, to serve the future community.

During the year ended 31 December 2022, land premium of HK$8.6 billion was paid by the Company to the HKSAR Government for Oyster Bay Project. When determining the land premium for the Land Exchange, costs in relation to the construction of the new Oyster Bay Station, re-provision of the depot, property enabling works (including roof deck over the depot for top-side property development) and site formation were accepted by the HKSAR Government as deductible costs and were deducted from the land premium assessment on a full market basis for the Land Exchange. The amount deducted is accounted for as government grant and included in Creditors, Other Payables and Provisions (note 36B), after offsetting against the respective capital expenditure in Other Property, Plant and Equipment (note 20B), Railway Construction in Progress (note 23) and Property Development in Progress (note 24) during the years ended 31 December 2022 and 2023.

I The Company entered into project agreements with the HKSAR Government for the financing, design, construction, completion, pre-operation, operation and maintenance of new railway extensions and the granting of development rights for commercial and residential property sites along these railway extensions. Pursuant to these project agreements, total amount of land premium payable by the Company in respect of these proposed property developments along these railway extensions shall be assessed by the Government as the full market value of the site (taking into account the presence of the railway) less the agreed reduction amounts for the purpose of bridging the funding gaps of these new railway extensions. These proposed property development sites will be developed in portions and the land premium assessment for each portion will be carried out, at the time of the relevant tender, with a specified tranche of the agreed reduction amount being deducted.

Project agreements on railway extensions entered in the current year include:

(i) Project agreement in respect of the Tung Chung Line Extension, which was signed on 28 February 2023. Pursuant to the project agreement in respect of the proposed property development at new Tung Chung East Station, total reduction amount of HK$18,365 million would be deducted at the amount of land premium actually payable by the Company.

(ii) Project agreement in respect of the Kwu Tung Station, which was signed on 5 September 2023. Pursuant to the project agreement in respect of the proposed property development at Kwu Tung, total reduction amount of HK$15,160 million would be deducted at the amount of land premium actually payable by the Company; and

(iii) Project agreement in respect of the Tuen Mun South Extension, which was signed on 5 September 2023. Pursuant to the project agreement in respect of the proposed property development at Tuen Mun, total reduction amount of HK$24,201 million would be deducted at the amount of land premium actually payable by the Company.

J On 18 May 2018, the Company provided a sub-contractor warranty to the Hong Kong Airport Authority ("HKAA") as a result of obtaining a subcontract from a third party for the modification works of the existing Automated People Mover system at the Hong Kong International Airport ("System") for a seven-year period, effective from 25 September 2017 ("Subcontract"). The Subcontract contains provisions covering the provision and modification of the power distribution, communication and control subsystems in respect of the System.

On 2 July 2020, the Company entered into a contract with the HKAA for the maintenance of the System for a seven-year period effective from 6 January 2021. In respect of the services provided, HK$180 million was recognised as consultancy income during the year ended 31 December 2023 (2022: HK$133 million).

The above transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of each of the above agreements is contained under the paragraph "Continuing Connected Transactions" in the Report of the Members of the Board.

K During the year ended 31 December 2023, the Group incurred HK$133 million (2022: HK$94 million) of expenses for the central clearing services provided by Octopus Cards Limited ("OCL"), a wholly-owned subsidiary of OHL. OCL incurred HK$47 million (2022: HK$31 million) of expenses for the load agent and Octopus card issuance and refund services, computer equipment and relating services as well as warehouse storage space provided by the Group. During the year, OHL declared HK$422 million (2022: HK$300 million) and distributed HK$361 million (2022: HK$150 million) of dividends to the Group.

47 Material Related Party Transactions *(continued)*

L During the year ended 31 December 2023, MTR Corporation (Sydney) NRT Pty Ltd, through its joint operation, provided services in respect of the design and delivery of electrical and mechanical systems and rolling stock to NRT Pty Ltd, an associate of the Group, at a total amount of AUD1 million (HK$6 million) (2022: AUD1 million or HK$5 million). Metro Trains Sydney Pty Ltd also provided operations and maintenance services in respect of Sydney Metro North West to NRT Pty Ltd at a total amount of AUD121 million (HK$629 million) (2022: AUD110 million or HK$600 million) and mobilisation services in respect of Sydney Metro City & Southwest to NRT CSW Pty Ltd, an associate of the Group, at a total amount of AUD43 million (HK$222 million) (2022: AUD6 million or HK$34 million). MTR Corporation (Sydney) SMCSW Pty Limited also provided delivery of electrical and mechanical systems and rolling stock as well as integration of railway system services to NRT CSW Pty Ltd at a total amount of AUD239 million (HK$1,242 million) (2022: AUD407 million or HK$2,222 million).

M During the year ended 31 December 2022, the Group had provided delivery of software licenses as well as maintenance and support services to Beijing MTR Corporation Limited at a total amount of HK$25 million.

N Other than those stated in notes 47A to 47M, the Company has business transactions with the HKSAR Government, entities related to the HKSAR Government and the Company's associates in the normal course of business operations. Details of the transactions and the amounts involved for the reporting period are disclosed in notes 33 and 37.

O The Group has paid remuneration to Members of the Board and the Executive Directorate. Details of these transactions are described in note 11A. In addition, Members of the Executive Directorate were granted award shares under the Executive Share Incentive Scheme. Details of the terms of these award shares are disclosed in note 11B and the Report of the Members of the Board. Their gross remuneration charged to the consolidated statement of profit or loss is summarised as follows:

in HK$ million	**2023**	2022
Short-term employee benefits	**100.9**	94.2
Post-employment benefits	**7.0**	6.5
Share-based payments	**22.8**	29.9
	130.7	130.6

The above remuneration is included in staff costs and related expenses disclosed in note 10A.

P During the year, the following dividends were paid to the FSI of the HKSAR Government:

in HK$ million	**2023**	2022
Ordinary dividends		
– Cash dividends paid	**6,071**	6,673

48 Commitments, Contingent Liabilities and Legal Proceedings

A Capital Commitments

(i) Outstanding capital commitments as at 31 December not provided for in the consolidated financial statements were as follows:

in HK$ million	Hong Kong transport operations, station commercial and other businesses	Hong Kong railway extension projects (note a)	Hong Kong property rental and development	Mainland China and overseas operations (note b)	Total
At 31 December 2023					
Authorised but not yet contracted for	**32,082**	**36,018**	**3,263**	**1,027**	**72,390**
Authorised and contracted for	**18,883**	**19,934**	**10,800**	**2,130**	**51,747**
	50,965	**55,952**	**14,063**	**3,157**	**124,137**
At 31 December 2022					
Authorised but not yet contracted for	30,961	7,819	8,097	1,123	48,000
Authorised and contracted for	18,699	3,752	1,037	2,574	26,062
	49,660	11,571	9,134	3,697	74,062

Notes:

(a) As at 31 December 2023, capital commitments of Hong Kong railway extension project included costs of HK$55.5 billion in respect of which the project agreement has been signed, remaining costs of HK$0.5 billion in relation to certain projects with the HKSAR Government in respect of which the project agreements are yet to be reached. These costs are approved by the Board of Directors but yet to be incurred as at 31 December 2023. The costs concerned are dealt with in accordance with the accounting policy set out in note 2I.

(b) As at 31 December 2023, capital commitment of Mainland China and overseas operations included the authorised outstanding commitments totalling HK$3.1 billion for the capital expenditure in relation to the SZL13 project.

In addition to the above, the Group has the following commitments in respect of its investments in subsidiary and associate:

In respect of Shenzhen Metro Line 13, the Group is responsible to contribute equity injection of up to RMB1,428 million (HK$1,624 million). Up to 31 December 2023, the Group has contributed RMB785 million (HK$916 million) equity to the project.

In respect of Sydney Metro City & Southwest, the Group is expected to further contribute equity of approximately AUD12.7 million (HK$67.8 million) and loans of approximately AUD13.3 million (HK$71.0 million) to the project for the share of investment.

(ii) The capital commitments not provided for in the consolidated financial statements under Hong Kong transport operations, station commercial and other businesses comprise the following:

in HK$ million	Improvement, enhancement and replacement works	Acquisition of property, plant and equipment	Additional concession property	Total
At 31 December 2023				
Authorised but not yet contracted for	**24,146**	**2,992**	**4,944**	**32,082**
Authorised and contracted for	**15,149**	**1,550**	**2,184**	**18,883**
	39,295	**4,542**	**7,128**	**50,965**
At 31 December 2022				
Authorised but not yet contracted for	24,352	2,165	4,444	30,961
Authorised and contracted for	15,379	983	2,337	18,699
	39,731	3,148	6,781	49,660

48 Commitments, Contingent Liabilities and Legal Proceedings *(continued)*

B Liabilities and Commitments in respect of Property Management Contracts

The Company and certain subsidiaries, namely Hanford Garden Property Management Company Limited, Royal Ascot Management Company Limited and Sun Tuen Mun Centre Management Company Limited, are holders of Property Management Company Licence (licence number: C-114608, C-515001, C-363023 and C-931638 respectively). Over the years, the Group has jointly developed with third party property developers certain properties above or adjacent to railway depots and stations. Under most of the development agreements, the Group retained the right to manage these properties after their completion. The Group, as manager of these properties, enters into service contracts with third party contractors for the provision of security, cleaning, maintenance and other services on behalf of the managed properties. The Group is primarily responsible for these contracts, but any contract costs incurred will be reimbursed by the owners and tenants of the managed properties from the management funds as soon as they are paid.

As at 31 December 2023, the Group had total outstanding liabilities and contractual commitments of HK$3,788 million (2022: HK$3,433 million) in respect of these works and services. Cash funds totalling HK$3,822 million (2022: HK$3,485 million) obtained through monthly payments of management service charges from the managed properties are held by the Group on behalf of those properties for settlement of works and services provided.

C Service Concession in respect of the Rail Merger and Operating Arrangements for HSR and SCL

Pursuant to the Rail Merger and Operating Arrangements for HSR and SCL, the Company is obliged under the SCA to pay an annual fixed payment of HK$750 million to KCRC over the period of the service concession and recognised as obligations under service concession in the statement of financial position. Additionally, commencing after three years from the Appointed Day, the Company is obliged to pay a variable annual payment to KCRC based on the revenue generated from the KCRC system (including HSR & SCL) above certain thresholds. Furthermore, under the SCA, SSCA-HSR and SSCA3-SCL, the Company is obliged to maintain, repair, replace and/or upgrade the KCRC system over the periods of the service concession which is to be returned at the expiry of the service concession.

D Material Financial and Performance Guarantees

(i) In respect of the lease out/lease back transaction ("Lease Transaction") (note 20E), the Group has provided standby letters of credit ("standby LC's") to the Investors to cover additional amounts payable by the Group in the event the transactions are terminated prior to the expiry of the lease terms, and such standby LC's amounted to US$61 million (HK$479 million) as at 31 December 2023. The Group has also provided standby LC's to certain of the Investors under the Lease Transaction to replace some of the Defeasance Securities previously used to support the corresponding long-term lease payments as a result of credit rating downgrades of these securities, and such standby LC's amounted to US$74 million (HK$576 million) as at 31 December 2023.

(ii) In respect of the debt securities issued by MTR Corporation (C.I.) Limited (note 35C), the Company has provided guarantees to the investors of approximately HK$15,783 million (in notional amount) as at 31 December 2023. The proceeds from the debts issued are on lent to the Company. As such, the primary liabilities have been recorded in the Company's statement of financial position.

(iii) In respect of the Melbourne Train Franchise, the Group has provided to the Public Transport Victoria a parent company guarantee of AUD173 million (HK$923 million) and a performance bond of AUD66 million (HK$352 million) on joint and several basis with other shareholders for Metro Trains Melbourne Pty. Ltd.'s performance and other obligations under the franchise agreement. In respect of the lease of the office premises, MTM has provided bank guarantees of AUD5 million (HK$26 million) as at 31 December 2023 for the monthly rental payments to the landlords.

(iv) In respect of the Sydney Metro North West Franchise, the Group has provided to NRT Pty Ltd a parent company guarantee with a liability cap of AUD1,526 million (HK$8,146 million) for the design and construction contract as well as the mobilisation phase of the operations and maintenance contract (the cap being subject to the usual exclusions of losses arising from wilful misconduct, fraudulent and criminal actions and, in addition, losses arising from abandonment of the contracts). The Group has also provided a performance bond of AUD18 million (HK$95 million) for the performance and other obligations under the design and construction sub-contract. The Group has also provided a parent company guarantee with a liability cap of AUD148 million (HK$788 million) for the operation and maintenance of Sydney Metro North West, which can be called if the franchise is terminated early as a result of default by Metro Trains Sydney Pty Limited. The Group has also provided bank guarantee amounting to AUD25 million (HK$135 million) as at 31 December 2023 for the operation and maintenance of Sydney Metro North West.

(v) In respect of the Sydney Metro City & Southwest Franchise, the Group has provided to NRT CSW Pty Ltd a parent company guarantee with a liability cap of AUD602 million (HK$3,214million) for the integrator works under the integrator contract (the cap being subject to the usual exclusions of losses arising from wilful misconduct, fraudulent and criminal actions and, in addition, losses arising from abandonment of the contracts) and performance bonds of AUD109 million (HK$582 million) for integrator works under the integrator contract. The Group has also provided a parent company guarantee with a liability cap of AUD28 million (HK$147 million) for the mobilisation phase of the operation and maintenance of Sydney Metro City & Southwest. The Group has also provided a parent company guarantee to Metro Trains Sydney Pty Ltd with a liability cap of AUD221 million (HK$1,180 million) and a parent company guarantee to MTR Corporation (Sydney) SMCSW Pty Limited with a liability cap of AUD221 million (HK$1,180 million) for the interface works under Sydney Metro North West and Sydney Metro City & Southwest. The Group has also provided standby LC's for the Group's equity interest in Sydney Metro City & Southwest project, and such standby LC's amounted to AUD26 million (HK$139 million) as at 31 December 2023.

48 Commitments, Contingent Liabilities and Legal Proceedings *(continued)*

D Material Financial and Performance Guarantees *(continued)*

(vi) In respect of the various lines of the Macao Light Rapid Transit, the Group has provided to Macao Light Rapid Transit Corporation Limited and the Macao SAR Government a number of bank guarantees amounting to MOP241 million (HK$234 million) as at 31 December 2023 for the performance and other obligations under the project.

(vii) In respect of the Mälartåg Franchise in Sweden, the Group has provided to Mälardalstrafik a bank guarantee of SEK300 million (HK$210 million) as at 31 December 2023, which can be called if the franchise is terminated early as a result of default by MTR Mälartåg AB, the wholly owned subsidiary of the Group to undertake the franchise.

(viii) In respect of the Stockholms Pendeltåg Franchise, the Group has provided to Stockholm transport authority a guarantee of SEK1,000 million (HK$782 million) as at 31 December 2023 for the performance and other obligations under the concession agreements until the termination date.

(ix) In respect of the Stockholm Metro Franchise, the Group has provided to the Stockholm transport authority a guarantee of SEK1,000 million (HK$782 million) as at 31 December 2023, which can be called if the franchise is terminated early as a result of default by MTR Tunnelbanan AB, the wholly owned subsidiary of the Group to undertake the franchise.

(x) In respect of the lease on the shopping centre in Beijing, the Group provided a bank guarantee of RMB13 million (HK$14 million) and a parent company guarantee of RMB53 million (HK$58 million) in respect of the quarterly rental payments to the landlord.

(xi) In respect of the investment in Hangzhou West Station property development project, the Group has provided a financial guarantee of RMB265 million (HK$292 million) to the banks participating in the syndication loan for the repayment of interest and/or loan principal by the consortium.

(xii) In respect of the Hangzhou Metro Line 1 and Hangzhou Metro Line 5 concessions, the Group is required to provide handover bank bonds to the Hangzhou Municipal Government before the end of the concessions for a period of three years to cover any non-compliance of handover requirements under the concession agreements.

(xiii) In respect of the SZL4 concession, the Group has provided to the Shenzhen Municipal Government a parent company guarantee in respect of MTR Corporation (Shenzhen) Limited's performance and other obligations under the concession agreement, which can be called if the performance and other obligations are not met.

(xiv) In respect of the Shenzhen Metro Line 13 concession, the Group is required to provide handover bank bonds to the Shenzhen Municipal Government before the end of the concessions for a period of three years to cover any non-compliance of handover requirements under the concession agreements.

(xv) In respect of the London Elizabeth Line Franchise in London, the Group has provided to the Rail for London Limited a parent company guarantee of GBP80 million (HK$797 million) and a performance bond of GBP25 million (HK$249 million) for MTR Corporation (Crossrail) Limited's performance and other obligations under the franchise agreement. The Group has also provided a performance bond of GBP1 million (HK$10 million) as at 31 December 2023 for minor infrastructure improvement works under London Rail Infrastructure Improvement Framework.

(xvi) In respect of the South Western Trains Franchise, the Group has provided to the Secretary of State for Transport a parent company guarantee of GBP1.8 million (HK$18 million) and an early termination indemnity of GBP1.8 million (HK$18 million) as at 31 December 2023 for the performance and other obligations under the National Rail Contract. The Group has provided a funding deed bond of GBP0.9 million (HK$9 million) and an early termination indemnity agreement bond of GBP0.9 million (HK$9 million) as at 31 December 2023 for aforementioned obligations.

Saved as disclosed elsewhere in the consolidated financial statements, no other provision was recognised in respect of the above financial and performance guarantees and contingent liabilities as at 31 December 2023.

48 Commitments, Contingent Liabilities and Legal Proceedings *(continued)*

E Contingent Liabilities and Legal Proceedings

The Company has not received notification of any legal or arbitration proceedings in relation to the construction of either the HSR Project or the SCL Project. The potential for future proceedings in relation to the construction of: (i) the HSR Project are set out in note 22A; and (ii) the SCL Project are set out in note 22B.

As discussed in note 16, the Company has objected to the notices of profits tax assessments/additional profits tax assessments for years of assessment from 2009/2010 to 2017/2018 which disallowed deduction of certain payments relating to the Rail Merger.

A collective action has been launched against several train operators in the United Kingdom, including First MTR South Western Trains Limited. The action alleges that the train operators breached the competition law by abusing their dominant positions. Specifically, the plaintiff claims that the operators failed to make sufficiently available a specific type of tickets offering "boundary fares" to Travelcard holders, resulting in double-charging the affected passengers for part of their journeys. Court trials for the action will be split into three separate stages, with the first trial to begin in June 2024. Whilst the Company is not separately named in the action, it is a 30% shareholder in the First MTR South Western Trains Limited. It is not possible at this time to predict with certainty what liability, if any, the Company might have in respect of this collective action.

Other than the above, whilst the Company may be involved in legal proceedings in the ordinary course of business from time to time, neither the Company nor any of its directors were involved in any litigation, arbitration or administrative proceedings, which in a material way impact on the Company's business, financial condition or operations. As of the date of this financial statements, the Company is not aware of any pending or threatened litigation, arbitration or administrative proceedings against the Company or its directors, which would have a material and adverse impact on the Company's business, financial condition, or operations.

49 Assets and Liabilities of Disposal Group Classified as Held For Sale

in HK$ million	**2023**	2022
Assets		
Other property, plant and equipment	**356**	–
Deferred tax assets	**29**	–
Debtors and other receivables	**20**	–
Cash, bank balances and deposits	**94**	–
Assets of disposal group classified as held for sale	**499**	–
Liabilities		
Creditors, other payables and provisions	**99**	–
Liabilities of disposal group classified as held for sale	**99**	–

In 2023, the Group had conducted a strategic review (including divestment) of MTR Express (Sweden) AB, a wholly-owned subsidiary of the Group operating MTRX service in Sweden. With the implementation of an active sale programme, the sale of MTR Express (Sweden) AB is considered as highly probable at 31 December 2023. As such, assets of HK$499 million and liabilities of HK$99 million of MTR Express (Sweden) AB were reclassified as "disposal group held for sale" in the consolidated statement of financial position as at 31 December 2023. Subsequent to the end of reporting period, the Group entered into an agreement with an independent third party on 8 February 2024 for the sale of MTR Express (Sweden) AB. The transaction is expected to be completed by the end of May 2024, following regulatory approval. Subject to the completion of the transaction, the gain to be recognised by the Group in the consolidated statement of profit or loss for the year ending 31 December 2024 arising from the transaction is not expected to be material.

50 Company-level Statement of Financial Position

in HK$ million	**At 31 December 2023**	At 31 December 2022
Assets		
Fixed assets		
– Investment properties	**95,980**	89,335
– Other property, plant and equipment	**102,134**	100,180
– Service concession assets	**30,940**	29,959
	229,054	219,474
Property management rights	**10**	11
Railway construction in progress	**4,256**	–
Property development in progress	**41,728**	41,269
Deferred expenditure	**376**	2,540
Investments in subsidiaries	**4,147**	3,123
Interests in associates	**410**	410
Properties held for sale	**1,927**	1,876
Derivative financial assets	**240**	216
Stores and spares	**1,782**	1,570
Debtors and other receivables	**7,815**	8,050
Amounts due from related parties	**21,472**	22,330
Cash, bank balances and deposits	**14,197**	7,124
	327,414	307,993
Liabilities		
Short-term loans	**1,200**	1,500
Creditors, other payables and provisions	**66,929**	60,505
Current taxation	**1,460**	2,827
Amounts due to related parties	**18,697**	16,901
Loans and other obligations	**39,898**	27,497
Obligations under service concession	**9,898**	9,976
Derivative financial liabilities	**1,710**	1,104
Deferred tax liabilities	**14,970**	14,507
	154,762	134,817
Net assets	**172,652**	173,176
Capital and reserves		
Share capital	**61,083**	60,547
Shares held for Executive Share Incentive Scheme	**(269)**	(262)
Other reserves	**111,838**	112,891
Total equity	**172,652**	173,176

Approved and authorised for issue by the Members of the Board on 7 March 2024

Rex P K Auyeung
Chairman

Jacob C P Kam
Chief Executive Officer

Michael G Fitzgerald
Finance Director

51 Accounting Estimates and Judgements

A Key sources of accounting estimates and estimation uncertainty include the following:

(i) Estimated Useful Life and Depreciation and Amortisation of Property, Plant and Equipment and Service Concession Assets

The Group estimates the useful lives of the various categories of property, plant and equipment and service concession assets on the basis of their design lives, planned asset maintenance programme and actual usage experience. Depreciation and amortisation are calculated using the straight-line method at rates sufficient to write off their cost or valuation over their estimated useful lives (note 2H).

(ii) Impairment of Long-lived Assets

The Group reviews its long-lived assets for indications of impairment at the end of each reporting period according to accounting policies set out in note 2G(ii). Long-lived assets (including service concession assets of SZL4 (note 21B)) are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset is the greater of the fair value less costs of disposal and value in use. In estimating the value in use, the Group uses projections of future cash flows from the assets and the management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(iii) Pension Costs

The Group employs independent valuation professionals to conduct annual assessment of the actuarial position of the MTR Retirement Scheme. The determination of the Group's obligation and expense for the defined benefit element of the scheme is dependent on certain assumptions and factors provided by the Group, which are disclosed in notes 45A(i) and 46F.

(iv) Profit Recognition on Hong Kong Property Development

Recognition of profits from Hong Kong property development (including fair value measurement of investment properties on initial recognition) requires management's estimation of the final project costs upon completion, assessment of outstanding transactions and market values of unsold units and, in the case of sharing-in-kind properties, the properties' fair value upon recognition. The Group takes into account independent qualified surveyors' reports, past experience on sales and marketing costs when estimating final project costs on completion and makes reference to professionally qualified valuers' reports in determining the estimated fair value of sharing-in-kind properties.

(v) Properties Held for Sale

The Group values unsold interests in properties at the lower of their costs and net realisable values (note 29) at the end of each reporting period. In ascertaining the properties' net realisable values, which are represented by the estimated selling prices less costs to be incurred in relation to the sales, the Group engages independent qualified surveyors to assess the properties' estimated selling prices and makes estimations on further selling and property holding costs to be incurred based on past experience and with reference to general market practice.

(vi) Valuation of Investment Properties

The valuation of investment properties requires management's input of various assumptions and factors relevant to the valuation. The Group conducts semi-annual fair value measurement of its investment properties by independent qualified surveyors based on these assumptions agreed with the valuers prior to adoption.

(vii) Franchise in Hong Kong

The current franchise under which the Group is operating in Hong Kong allows the Group to run the mass transit railway system in Hong Kong until 1 December 2057, except for HSR and SCL which the concession periods are detailed in note 3. Pursuant to the terms of the OA and the MTR Ordinance, the Company may apply for extensions of the franchise and the Secretary for Transport and Logistics shall, subject to certain provisions, recommend to the Chief Executive in Council that the franchise should be extended for a further period of 50 years (from a date relating to certain capital expenditure requirements) if the Company has satisfied such capital expenditure requirements, at no additional payment for any such extension. If the franchise is not extended, it will expire on 1 December 2057. Following such expiry, the HKSAR Government has the right to take possession of railway property (and, where the HKSAR Government has taken possession of any such property which is not concession property, the Company may require the HKSAR Government to take possession of any other property which the HKSAR Government was entitled to take possession of, but did not take possession of), but must compensate the Company: (i) in the case of such property which is not concession property, at the higher of fair value and depreciated book value, and (ii) in the case of such property which is concession property and to the extent that the capital expenditure exceeds an agreed threshold ("Capex Threshold"), in an amount equal to any above-threshold expenditure at the end of the Concession Period with such reimbursement to be on the basis of depreciated book value. The Group's depreciation policies (note 2H) for such property which is not concession property with assets' lives which extend beyond 2057 reflect the above.

(viii) Income Tax

Certain treatments adopted by the Group in its Hong Kong Profits Tax returns in the past years are yet to be finalised with the Hong Kong Inland Revenue Department. In assessing the Group's income tax and deferred taxation in the consolidated financial statements, the Company has predominantly followed the tax treatments it has adopted in these tax returns, which may be different from the final outcome in due course.

As detailed in note 16A(ii), there are tax queries from the IRD with the Company on tax deductibility of the Sums for which the ultimate tax determination is uncertain up to the date of this financial statements. The Group recognises tax provision for these tax matters based on estimates of whether additional taxes will eventually be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax expenses in the period when such determination is made.

51 Accounting Estimates and Judgements *(continued)*

A Key sources of accounting estimates and estimation uncertainty include the following *(continued)*:

(ix) Project Provisions

The Group establishes project provisions for the settlement of estimated claims that may arise due to time delays, additional costs or other unforeseen circumstances common to major construction contracts. The claims provisions are estimated based on an assessment of the Group's liabilities under each contract by professionally qualified personnel, which may differ from the actual claims settlement.

(x) Fair Value of Derivatives and Other Financial Instruments

In determining the fair value of financial instruments, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For financial instruments that are not traded in active markets, the fair values were derived using the discounted cash flows method which discounts the future contractual cash flows at the current market interest or foreign exchange rates, as applicable, for similar financial instruments that were available to the Group at the time.

(xi) Obligations under Service Concession

In determining the present value of the obligations under service concession, the discount rate adopted was the relevant Group company's estimated long-term incremental cost of borrowing at inception after due consideration of the relevant Group company's existing fixed rate borrowing cost, future interest rate and inflation trends.

B Critical accounting judgements in applying the Group's accounting policies include the following:

(i) Provisions and Contingent Liabilities

The Group recognises provisions when the Group has a legal or constructive obligation arising as a result of a past event (including in relation to those under entrustment arrangements (note 22) and provisions for onerous contracts (note 7)), and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability. Other than as set out in notes 22 and 48E, as at 31 December 2023, the Group considered that it had no disclosable contingent liabilities as there were neither pending litigations nor events with potential obligation which were probable to result in material outflow of economic benefits from the Group.

52 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2023

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Hong Kong Interpretation 5 (Revised), *Presentation of Financial Statements: Classification by the borrower of a term loan that contains a repayment on demand clause*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these amended standards is expected to be in the period of initial application. So far, the Group considers that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

53 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board on 7 March 2024.

GLOSSARY

Airport Express	Train service provided between AsiaWorld-Expo Station and Hong Kong Station
Appointed Day or Merger Date	2 December 2007 when the Rail Merger was completed
Articles of Association	The articles of association of the Company
Board	The board of directors of the Company
Bus	Feeder bus services operated in support of Tuen Ma Line, East Rail Line and Light Rail
Company or MTR Corporation	MTR Corporation Limited, a company which was incorporated in Hong Kong under the Companies Ordinance on 26 April 2000
Companies Ordinance	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong or the predecessor Companies Ordinance Chapter 32 of the Laws of Hong Kong (as the case may be))
Computershare	Computershare Hong Kong Investor Services Limited, the share registrar of the Company
Cross-boundary Service or Cross-boundary	Journeys with the destination to/commencing from Lo Wu and Lok Ma Chau stations
Customer Service Pledge	Annually published performance targets in accordance with the Operating Agreement
Director or Member of the Board	A member of the Board
Domestic Service	Collective name for Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service) and Tuen Ma lines
EBITDA	Operating profit/loss before fair value measurement of investment properties, depreciation, amortisation, provisions for onerous contracts and impairment loss, variable annual payment, share of profit of associates and joint ventures, interests, finance charges and taxation
EBITDA Margin	EBITDA (excluding Hong Kong property development profit from share of surplus, income and interest in unsold properties) as a percentage of total revenue
EBIT	Profit/loss before fair value measurement of investment properties, interest, finance charges and taxation and after variable annual payment
EBIT Margin	EBIT (excluding Hong Kong property development profit from share of surplus, income and interest in unsold properties, and share of profit of associates and joint ventures) as a percentage of total revenue
Express Rail Link or High Speed Rail or HSR	Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, also known as Guangzhou-Shenzhen-Hong Kong High Speed Rail (Hong Kong Section) after the commencement of passenger service on 23 September 2018
Fare Index	A measure of customer satisfaction for the fares charged for Domestic and Cross-boundary services, HSR, Airport Express, Light Rail and Bus based on satisfaction scores for different fare attributes weighted by the corresponding importance rating from the customer research
FSI	The Financial Secretary Incorporated, a corporation solely established under the Financial Secretary Incorporation Ordinance (Chapter 1015 of the Laws of Hong Kong)
Government	The Government of the Hong Kong SAR
Group	The Company and its subsidiaries
HKSE or Stock Exchange	The Stock Exchange of Hong Kong Limited
Heavy Rail	Collective name for Domestic Service, Cross-boundary Service and Airport Express

GLOSSARY

Hong Kong or Hong Kong SAR or HKSAR	The Hong Kong Special Administrative Region of the People's Republic of China
Intercity Service or Intercity	Intercity through train services operated between Hung Hom Station in Hong Kong and major cities in Mainland China such as Beijing, Shanghai and Guangzhou
Interest Cover	Operating profit before fair value measurement of investment properties, depreciation, amortisation, provisions for onerous contracts and impairment loss, variable annual payment, share of profit of associates and joint ventures, interests, finance charges and taxation divided by interest and finance charges before capitalisation, and utilisation of government subsidy for Shenzhen Metro Line 4 operation
KCRC	Kowloon-Canton Railway Corporation
KPMG	KPMG, Certified Public Accountants, the independent auditor of the Company. KPMG is a Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Light Rail	Light rail serving North West New Territories
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MTR Ordinance	The Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong)
Net Debt-to-equity Ratio	Loans and other obligations, bank overdrafts, short-term loans, obligations under service concession and loans from holders of non-controlling interests net of cash, bank balances and deposits, and investment in bank medium-term notes in the consolidated statement of financial position as a percentage of the total equity
Operating Agreement	The agreement entered into by the Company and the Government on 30 June 2000 for the operation of our rail services before the Rail Merger and a new agreement entered on 9 August 2007 for the operation of all of our rail and bus passenger services after the Rail Merger
Ordinary Shares	Ordinary shares in the capital of the Company
Rail Merger or Merger	The merger of the rail operations of MTR Corporation and KCRC and the acquisition of certain property interests by MTR Corporation from KCRC, full details of which are set out in the Rail Merger Circular. The Rail Merger was completed on 2 December 2007
Rail Merger Ordinance	The Rail Merger Ordinance (Ordinance No.11 of 2007)
Return on Average Equity Attributable to Shareholders of the Company arising from Underlying Businesses	Profit attributable to shareholders of the Company arising from underlying businesses as a percentage of the average of the beginning and closing total equity attributable to shareholders of the Company of the period
Service Concession	A contract to provide services for a particular period which is awarded by a public sector entity to an operator; in the context of concession projects in Hong Kong, service concession refers to the concession granted or to be granted by KCRC and/or Government to the Company to operate, maintain and renew certain railway lines under the Service Concession Agreement or a Supplemental Service Concession Agreement, as more particularly described in the Rail Merger Circular; in the context of concession projects in Mainland China and Overseas, service concession refers to the concession granted by the government or relevant public sector entity to a subsidiary, associate or joint venture of the Company to provide certain specified services for a specified period under a negotiated concession agreement
Service Quality Index	A measure of customer satisfaction for the services provided by Domestic and Cross-boundary services, HSR, Airport Express, Light Rail and Bus based on satisfaction scores for different service attributes (excluding fares) weighted by the corresponding importance rating from the customer research

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SHAREHOLDER SERVICES

Any matters relating to your shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Registrar:

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