HK$54,504 million

Total Revenue Increased by 1.1%

HK$10,560 million

Underlying Business Profit Decreased by 6.2%

Strong Credit Ratings

AA+

by Standard & Poor's (long-term)

FINANCIAL REVIEW

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

PROFIT AND LOSS

HK$ million	Year ended 31 December 2019	2018	Inc. / (Dec.) HK$ million	%
Total Revenue	**54,504**	53,930	574	1.1
Recurrent Businesses				
EBIT from Hong Kong Businesses and Mainland of China and International Subsidiaries	**7,807**	11,876	(4,069)	(34.3)
Share of Profit or Loss of Associates and Joint Venture	**288**	658	(370)	(56.2)
Project Studies and Business Development Expenses	**(276)**	(323)	(47)	(14.6)
Total Recurrent EBIT	**7,819**	12,211	(4,392)	(36.0)
Interest and Finance Charges	**(939)**	(1,208)	(269)	(22.3)
Income Tax	**(1,740)**	(1,835)	(95)	(5.2)
Non-controlling Interests	**(160)**	(148)	12	8.1
Recurrent Business Profit	**4,980**	9,020	(4,040)	(44.8)
Non-recurrent Business Profit	**5,580**	2,243	3,337	148.8
Underlying Business Profit	**10,560**	11,263	(703)	(6.2)
EBIT Margin# (in %)	**13.8%**	21.5%		(7.7%) pts.
EBIT Margin# (excluding Mainland of China and International Subsidiaries) (in %)	**19.3%**	32.8%		(13.5%) pts.
Results on Normalised Basis (“Normalised Basis”)^				
Recurrent Businesses				
EBIT from Hong Kong Businesses and Mainland of China and International Subsidiaries	**12,554**	11,876	678	5.7
Share of Profit or Loss of Associates and Joint Venture	**724**	658	66	10.0
Project Studies and Business Development Expenses	**(276)**	(323)	(47)	(14.6)
Total Recurrent EBIT	**13,002**	12,211	791	6.5
Interest and Finance Charges	**(939)**	(1,208)	(269)	(22.3)
Income Tax	**(2,191)**	(1,835)	356	19.4
Non-controlling Interests	**(160)**	(148)	12	8.1
Recurrent Business Profit	**9,712**	9,020	692	7.7
Non-recurrent Business Profit	**5,580**	2,243	3,337	148.8
Underlying Business Profit	**15,292**	11,263	4,029	35.8
EBIT Margin# (in %)	**21.7%**	21.5%		0.2% pt.
EBIT Margin# (excluding Mainland of China and International Subsidiaries) (in %)	**31.6%**	32.8%		(1.2%) pts.

Excluding profit on Hong Kong property development and share of profit or loss of associates and joint venture.

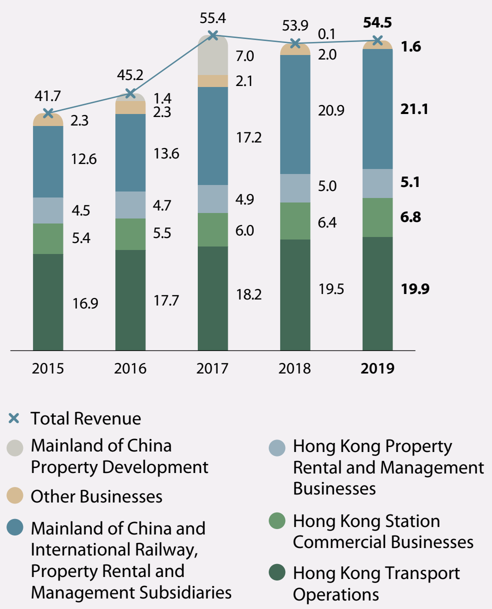
^ *Results on normalised basis are estimates based on certain assumptions to represent financial performance if the adverse impact of the public order events in Hong Kong on the Group’s Hong Kong businesses (HK$2.3 billion), and the provisions for the Hung Hom incidents of the SCL project in Hong Kong (HK$2 billion) and the South Western Railway franchise agreement in the United Kingdom (HK$0.4 billion) had been excluded.*

Total Revenue

The Group's total revenue in 2019 increased slightly by 1.1% to HK$54,504 million. The increase was mainly due to the full year contribution from HSR and higher revenue contributions from our Mainland of China and international subsidiaries, but offset mostly by the reduction in fare revenue in our Hong Kong transport operations, as well as the rental concessions granted to some tenants in our station kiosks and shopping malls because of the public order events in Hong Kong since June 2019.

Total Revenue

(HK$ billion)



Total Recurrent EBIT

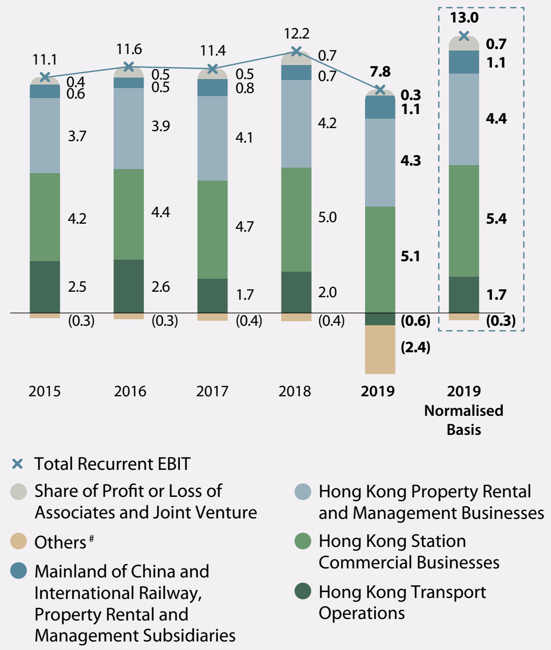
The Group's total recurrent EBIT (including share of profit or loss of associates and joint venture as well as project study and business development expenses) in 2019 decreased by 36.0% to HK$7,819 million. The decrease was mainly due to the impact of the public order events in Hong Kong on our Hong Kong businesses and the provisions made for the Hung Hom incidents of the SCL project in Hong Kong and the South Western Railway franchise agreement in the United Kingdom.

Should the above adverse impacts be excluded, total normalised recurrent EBIT would have increased by 6.5% to HK$13,002 million.

On a normalised basis, the contribution from Hong Kong Transport Operations would have decreased 2.9% pts. to 13.4% of total normalised recurrent EBIT, mainly due to higher depreciation and amortisation charges resulting from asset additions to the Hong Kong railway network and a one-off refund of Government rent and rates in 2018 that did not recur in 2019.

Total Recurrent EBIT*

(HK$ billion)



* *Including share of profit or loss of associates and joint venture as well as project study and business development expenses*

\# *Others represents "Other Businesses, and Project Study and Business Development Expenses"*

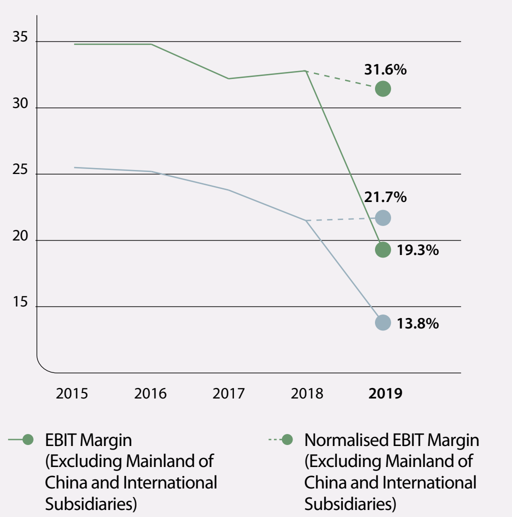
On the other hand, the contribution from Mainland of China and International Railway, Property Rental and Management Subsidiaries would have increased 2.5% pts. to 8.4%, mainly due to performance improvement of our Stockholm commuter rail ("Stockholms pendeltåg") and improved operating profits from Macao LRT Taipa Line project management and O&M services.

EBIT Margin

On a normalised basis, total EBIT margin (excluding profit on Hong Kong property development and share of profit or loss of associates and joint venture) would have increased by 0.2% pt. to 21.7%, in line with 2018. The increase was mainly due to the improvement in EBIT margin for Mainland of China and International subsidiaries, partly offset by the lower EBIT margin for Hong Kong businesses. The improvement in EBIT margin for Mainland of China and International subsidiaries was mainly attributable to the performance improvement of Stockholms pendeltåg and higher operating profit from Macao LRT Taipa Line project management and O&M services. The lower EBIT margin for Hong Kong businesses was mainly due to higher depreciation and amortisation charges resulting from asset additions to the Hong Kong railway network and a one-off refund of Government rent and rates in 2018 that did not recur in 2019, as mentioned in the preceding section.

EBIT Margin ^

(Percentage)



^ *Excluding profit on Hong Kong property development and share of profit or loss of associates and joint venture*

Interest and Finance Charges

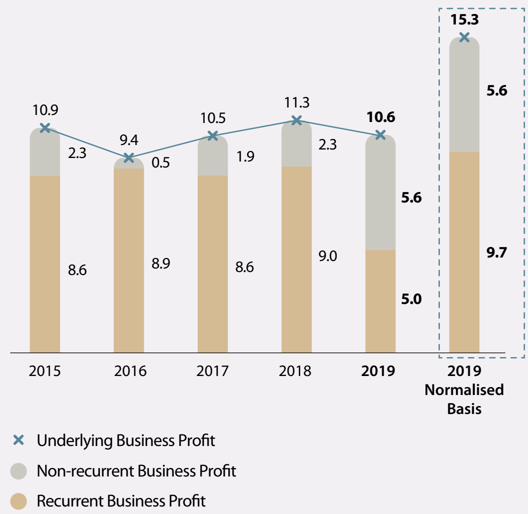
Interest and finance charges for recurrent businesses were HK$939 million, representing a decrease of 22.3% from 2018, mainly due to higher interest income from deposits and savings in interest expenses mainly due to lower average debt outstanding. A detailed review of the Group's financing activities is featured in the ensuing section.

Underlying Business Profit

The Group's underlying business profit was HK$10,560 million, representing a decrease of 6.2% from 2018. On a normalised basis, underlying business profit was HK$15,292 million, an increase of 35.8% over 2018.

Underlying Business Profit

(HK$ billion)



STATEMENT OF FINANCIAL POSITION

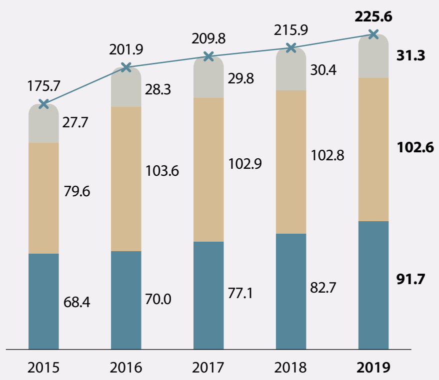
HK$ million	As at 31 December 2019	As at 31 December 2018	Inc. / (Dec.) HK$ million	Inc. / (Dec.) %
Fixed Assets	**225,605**	215,925	9,680	4.5
Property Development in Progress	**12,022**	14,840	(2,818)	(19.0)
Interests in Associates and Joint Venture	**10,359**	8,756	1,603	18.3
Debtors and Other Receivables	**11,169**	9,576	1,593	16.6
Cash, Bank Balances and Deposits	**21,186**	18,022	3,164	17.6
Other Assets	**8,873**	7,568	1,305	17.2
Total Assets	**289,214**	274,687	14,527	5.3
Total Loans and Other Obligations	**(39,456)**	(40,205)	(749)	(1.9)
Creditors and Other Liabilities	**(38,881)**	(30,475)	8,406	27.6
Obligations Under Service Concession	**(10,350)**	(10,409)	(59)	(0.6)
Deferred Tax Liabilities	**(13,729)**	(12,979)	750	5.8
Total Liabilities	**(102,416)**	(94,068)	8,348	8.9
Net Assets	**186,798**	180,619	6,179	3.4
Represented by:				
Total Equity Attributable to Shareholders of the Company	**186,606**	180,447	6,159	3.4
Non-controlling Interests	**192**	172	20	11.6
Total Equity	**186,798**	180,619	6,179	3.4

Fixed Assets

Fixed assets increased by 4.5% to HK$225,605 million, mainly due to receipt of the shopping mall of LOHAS Park Package 7 and investment revaluation gain of the existing portfolio, the recognition of right-of-use assets upon the adoption of HKFRS 16, as well as renewal and upgrade works for our existing Hong Kong railway network. With the new asset additions in our Hong Kong railway network, depreciation and amortisation increased by 5.1%.

Fixed Assets Growth

(HK$ billion)



Property Development in Progress

Property development in progress decreased mainly due to profit recognition of MALIBU and The LOHAS.

Interests in Associates and Joint Venture

Interests in associates and joint venture increased, mainly due to the equity injections into Hangzhou Line 5 (HZL5) joint venture and Sydney Metro Northwest (SMNW) and share of profit from associates.

Debtors and Other Receivables

Debtors and other receivables increased mainly due to the increase in property development receivables upon recognition of the property development profit of MALIBU.

Cash, Bank Balances and Deposits

Cash, bank balances and deposits increased mainly due to cash inflow from operating activities and cash receipts in respect of our Hong Kong property development. The increase was partly offset by capital expenditure and dividend payments.

Total Loans and Other Obligations

Total loans and other obligations decreased mainly due to the net repayment of borrowings (primarily bank loans), partly offset by the recognition of lease liabilities upon the adoption of HKFRS 16.

Creditors and Other Liabilities

Creditors and other liabilities increased mainly due to the amount received in respect of our Hong Kong property development, the provision for the Hung Hom incidents of the SCL project, as well as a timing difference for provisional tax payments in 2019.

Total Equity

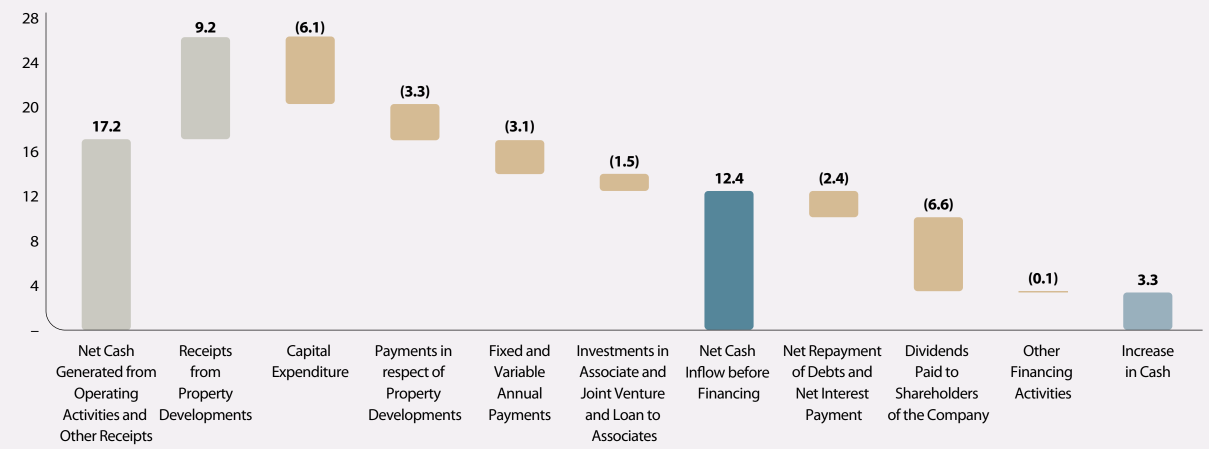
Total equity increased by HK$6,179 million, mainly due to the profit recorded for the year, partly offset by the payments of the 2018 final ordinary dividend and 2019 interim ordinary dividend during the year.

CASH FLOW

HK$ million		2019		2018
Net Cash Generated From Operating Activities and Other Receipts		**17,164**		11,281
Receipts from Property Developments		**9,175**		4,235
Net Cash Receipts		**26,339**		15,516
Capital Expenditure		**(6,072)**		(6,447)
Payments in respect of Property Developments		**(3,259)**		(515)
Fixed Annual Payment		**(750)**		(750)
Variable Annual Payment		**(2,305)**		(1,933)
Investments in Associate and Joint Venture and Loan to Associates		**(1,539)**		(1,840)
Total Cash Outflow		**(13,925)**		(11,485)
Net Cash Inflow before Financing		**12,414**		4,031
Net Repayment of Loans and Capital Market Instruments	**(1,678)**		(1,548)	
Net Interest Payment	**(684)**		(842)	
Net Repayment of Debts and Net Interest Payment		**(2,362)**		(2,,390)
Dividends Paid to Shareholders of the Company		**(6,649)**		(1,281)
Other Financing Activities		**(117)**		(153)
Increase in Cash		**3,286**		207
Cash, Bank Balances and Deposits (incl. bank overdraft) as at 1 January		**18,022**		18,350
Increase in Cash		**3,286**		207
Effect of Exchange Rate Changes		**(122)**		(535)
Cash, Bank Balances and Deposits (incl. bank overdraft) as at 31 December		**21,186**		18,022

Cash Flow for the Year Ended 31 December 2019

(HK$ billion)



Net Cash Generated from Operating Activities and Other Receipts

The increase in net cash generated from operating activities and other receipts by HK$5,883 million was mainly due to the payment of the land premium for the Wong Chuk Hang Station package to the Government amounting to HK$5,214 million in 2018, which did not recur in 2019, and a timing difference for provisional tax payments in 2019.

Receipts from Property Development

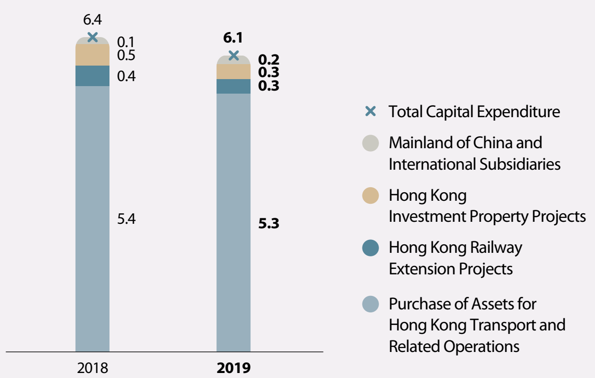
The increase in receipts from property development was mainly due to cash receipts from the LOHAS Park Packages.

Capital Expenditure

In 2019, capital expenditure mainly comprised cash outflow of HK$5,291 million for Hong Kong transport and related operations, HK$292 million for Hong Kong railway extension projects and HK$308 million for investment property projects.

Capital Expenditure

(HK$ billion)



Payments in Respect of Property Developments

The increase in payments in respect of property development was mainly due to the cash payments for the LOHAS Park packages.

Investments in Associate and Joint Venture and Loan to Associates

Investment in associate and joint venture and loans to associates in 2019 mainly related to the equity injections into the HZL5 joint venture and SMNW.

Net Repayment of Debts and Net Interest Payment

In 2019, net repayment of debts and net interest payment comprised of (i) mainly repayment of bank loans of HK$13,337 million, (ii) proceeds mainly from capital market instruments of HK$11,659 million to the financing portfolio to achieve lower interest costs, and (iii) a net interest payment of HK$684 million.

A detailed review of the Group's financing activities is featured in the ensuing section.

Dividends Paid to Shareholders of the Company

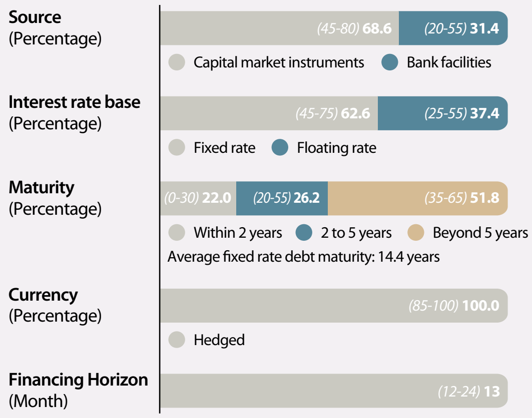
The Group paid dividends of HK$6,649 million (2018: HK$1,281 million) in cash, being the 2018 final dividend of HK$0.95 per share and the 2019 interim dividend of HK$0.25 per share. The higher cash dividend payment was the result of Government's election for cash dividends in 2019 in respect of 2018 final and 2019 interim dividends, and for scrip dividends in 2018 in respect of 2017 final and 2018 interim dividends.

FINANCING ACTIVITIES

Preferred Financing Model and Debt Profile

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

(Preferred Financing Model) vs. **Actual debt profile**
As at 31 December 2019



Growth in the global economy slowed down during the year against the backdrop of the US-China trade war. In January 2020, the International Monetary Fund cut its global growth estimation for 2019 to 2.9%, the lowest projection level since 2008-2009. The growth projection for 2020 was also lowered to 3.3%, with a rebound expected to be led by emerging markets but major economies such as the US, China, Japan and India slowing further.

In the absence of inflationary pressures, major central banks have been pursuing easing monetary policies to reduce downside risks to growth. The US Federal Reserve cut interest rates three times in 2019, while the European Central Bank restarted its bond purchase programme in November and cut the interest rate on bank reserves to a historic low. However, trade and geopolitical tensions continued to disrupt economic activities, leading to abrupt shifts in risk sentiment. The recent outbreak of COVID-19 only exacerbated the situation.

USD short term interest rates fell, with the 3-month USD Libor dropping from 2.81% p.a. at the start of 2019 to 1.91% p.a. at year end. The Hong Kong Monetary Authority also lowered its base rate three times in 2019, but HKD short term interest rates were more volatile. The 3-month HKD Hibor started the year at 2.33% p.a., fell to a low of 1.56% p.a. in February, then subsequently moved within a small range between 2.12% p.a. and 2.66% p.a. in the second half of the year before ending the year at 2.43% p.a.

Longer term USD and HKD rates both exhibited downward trends with high volatility. The benchmark 10-year US Treasury yield started the year at 2.68% p.a. and fell sharply to 1.46% p.a. in September before rebounding to close the year at 1.92% p.a. The 10-year HKD swap rate started the year at 2.45% p.a. and fell to a low of 1.45% p.a. in August before closing the year at 2.04% p.a.

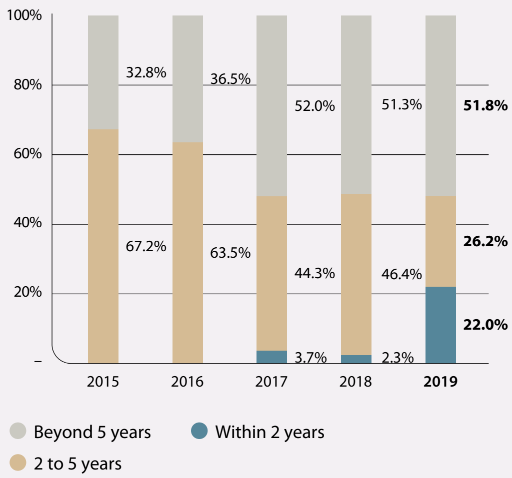
In 2019 the Company focused on transactions that can achieve lower interest costs. Two MTNs (total HK$1.2 billion equivalent) and several bilateral bank loans (total HK$2.3 billion), with tenors between 6 to 12 months, were added to the financing portfolio.

Outside Hong Kong, a 25-year bank loan of CNY 6.5 billion was closed in June for the Hangzhou Line 5 project, and an A$ 2.7 billion financing package was closed in November for the Sydney Metro City and South West project and the Sydney Metro North West project.

Maturity Profile

The graph below shows the maturity profiles of the Company's interest bearing borrowings at the 2015-2019 year-end. This demonstrates the spread of the maturities of the Company's borrowings and well-managed refinancing risk. The increase in the proportion of borrowing with maturities within two years in 2019 was related to activities aiming at interest cost reduction.

Maturity Profile



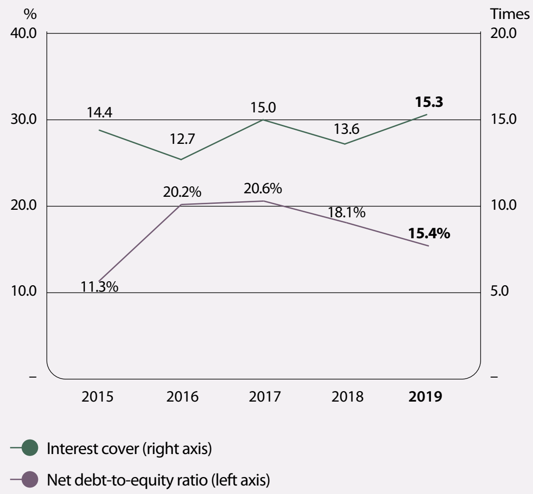
* *The Company monitors the refinancing risk (i.e. the debt maturity profile) based on available committed facilities. The profiles from 2015-2018 have been restated on this basis*

Gearing Ratio and Interest Coverage

The Group's gearing ratio, as measured by the net debt-to-equity ratio, decreased by 2.7 percentage points to 15.4% at year-end 2019 from 18.1% at year-end 2018, mainly due to strong net cash inflow during the year. The Group's interest cover increased from 13.6 times to 15.3 times.

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

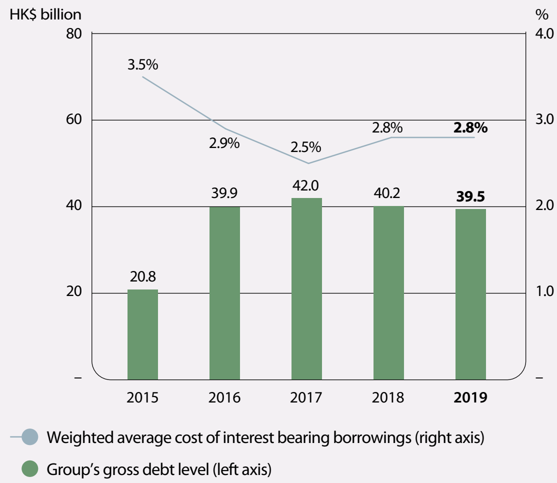
Net Debt-to-Equity Ratio and Interest Coverage



Cost of Borrowing

The Group's consolidated gross debt position decreased from HK$40,205 million at year-end 2018 to HK$39,456 million at year-end 2019. The weighted average cost of interest bearing borrowings of the Group remained at 2.8% p.a.

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

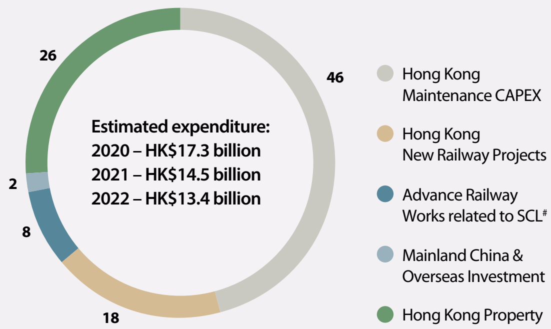


Financing Capacity

The Group's capital expenditure and investment mainly consists of three parts: Hong Kong railway projects (including maintenance), Hong Kong property investment and development, and Mainland of China and overseas investments. The total spending from 2020 to 2022 is estimated at HK$45.2 billion.

Capital Expenditure and Investment (2020-2022)

(Percentage)



Advanced Railway Works involve modifications to or upgrades or expansion of assets for which MTR is responsible under the existing service concession agreement with KCRC. This will predominantly be covered by the reduction in future maintenance CAPEX during the construction period of SCL Project which MTR would have otherwise incurred.

Capital expenditure on the Hong Kong railway projects (including maintenance cost for the Hong Kong railway system) will continue to constitute a significant portion of the capital expenditure in 2020-2022. Expenditure on Hong Kong property investment and development is mainly related to the enabling works at LOHAS Park and the acquisition of the Company's remaining interests in Telford Plaza II shopping centre and PopCorn 2 shopping centre.

Based on its cash balance and available committed banking facilities as well as its ready access to both the loan and debt capital markets, the Group believes that it will have sufficient financing capacity to fund its capital expenditure and investment programme.

Credit Ratings (as of 5 March 2020)

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*