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MTR CORPORATION LIMITED

香港鐵路有限公司

(the “Company”)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 66)

INSIDE INFORMATION

EFFECT OF SOCIAL UNREST ON THE GROUP

The Group’s Hong Kong transport operations, Hong Kong station commercial businesses and Hong Kong property rental businesses have been adversely affected as a result of the social unrest in Hong Kong, which has: (i) led to a reduction in patronage on the Company’s services, as previously disclosed by the Company; (ii) involved damage and vandalism to certain MTR stations and facilities, necessitating repair and maintenance or replacement; and (iii) led to other costs being incurred by the Group for the enhancement of staffing and security as well as retail concessions and abatements.

Taking into account the impact of the social unrest and the anticipated performance of the Group’s property development business and other businesses, the board of directors expects that the Group’s underlying business profit for the financial year ending 31 December 2019 will be less than that for the financial year ended 31 December 2018, but would have been higher without the total provision of HK\$2.43 billion which is being charged to the Group’s consolidated profit and loss account for the financial year ending 31 December 2019 (in relation to the Hung Hom incidents and First MTR South Western Trains Limited, a joint venture in which the Group holds a 30% shareholding), details of which were previously announced by the Company.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Investors should exercise caution in their dealings in the securities of the Company. The price of the Company’s shares may be subject to fluctuations.

The Group's Hong Kong Recurrent Businesses have been adversely affected as a result of the social unrest in Hong Kong, which has:

- (i) as previously disclosed by the Company on its website, led to a reduction in patronage on the Company's services. The following table shows the levels of patronage for July to November (inclusive) for each of 2018 and 2019:

Month	Patronage in 2018* (in million)	Patronage in 2019* (in million)	Patronage Change (%)
July	170.6	169.5	- 0.7%
August	172.8	159.9	- 7.5%
September	166.4	155.3	- 6.7%
October	179.2	130.0	- 27.4%
November	178.1	129.6 [^]	- 27.2% [^]
Total (July to November (inclusive))	867.1	744.3[^]	- 14.2%[^]

* This figure represents the total patronage on the following services: the Domestic Service, the Airport Express, the Cross-boundary, the Intercity, Light Rail & Bus and the High Speed Rail (which commenced service on 23 September 2018), which is published monthly in the Company's website.

[^] Provisional figure and subject to change

- (ii) involved damage and vandalism to certain MTR stations and facilities, necessitating repair and maintenance or replacement of the damaged and vandalised stations and facilities; and
- (iii) led to other costs being incurred by the Group for the enhancement of staffing and security of the railway facilities as well as retail concessions and abatements granted by the Group to some of the retail tenants in station kiosks and in malls owned by the Group which have been adversely affected by the social unrest.

The Group estimates that, as at the date of this announcement (and, for the avoidance of doubt, excluding any impact on the Group during December 2019), the matters described in (i) to (iii) above will have a negative financial impact of around HK\$1,600 million in aggregate on the net profit of the Group's Hong Kong Recurrent Businesses for the year ending 31 December 2019.

For the financial year ending 31 December 2019, the Group currently expects to book profits arising from its property development projects at MALIBU (LOHAS Park Package 5) and the shopping centre of LOHAS Park Package 7, as stated in the Company's 2019 Interim Report.

Taking into account:

- (a) the matters described in (i) to (iii) above;

- (b) the amount of profits which the Group expects to book in respect of its property development projects for the financial year ending 31 December 2019, as referred to above;
- (c) the expected performance of the Group's businesses other than its Hong Kong Recurrent Businesses and property development business; and
- (d) the total provision of HK\$2.43 billion which is being charged to the Group's consolidated profit and loss account for the year ending 31 December 2019 (in relation to the Hung Hom Incidents Related Costs and First MTR South Western Trains), details of which were disclosed in the Company's announcements dated 30 May 2019 (in the case of First MTR South Western Trains) and 18 July 2019 (in the case of both the Hung Hom Incidents Related Costs and First MTR South Western Trains),

the Board expects that the Group's underlying business profit for the financial year ending 31 December 2019 will be less than its underlying business profit for the financial year ended 31 December 2018, but the Group's underlying business profit for the financial year ending 31 December 2019 would have been higher than its underlying business profit for the financial year ended 31 December 2018 had the provision referred to in (d) above not been made.

Further, to arrive at the Group's net profit attributable to shareholders of the Company, the Group's underlying business profit is adjusted by investment property revaluation gain or loss, which is a non-cash accounting item. For the year ended 31 December 2018 and the six months ended 30 June 2019, the Group's property revaluation gain was HK\$4.7 billion and HK\$2.1 billion, respectively. Up to the date of this announcement, the Group is not in a position to determine the property valuation gain or loss for the second half of 2019, as the revaluation is yet to be undertaken for the year ending 31 December 2019.

When taking into account the rail and property businesses of the Group as a whole, the Board is of the view that the overall financial position of the Group remains sound. The Board currently proposes to maintain the Company's present progressive ordinary dividend policy.

The financial information contained in this announcement is based on the preliminary unaudited management accounts of the Group and the information currently available to the Group. It has not been reviewed or audited by the auditor of the Group.

The Board will continue to monitor the financial position and business prospects of the Group and will make further announcement(s) if appropriate.

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DEFINITIONS

"Airport Express" means train service provided between AsiaWorld-Expo Station and Hong Kong Station;

“Board”	means the board of directors of the Company;
“Bus”	means feeder bus services operated in support of West Rail Line, East Rail Line and Light Rail;
“Company”	means MTR Corporation Limited;
“Cross-boundary”	means train services with destination to/commencing from Lo Wu and Lok Ma Chau stations;
“Domestic Service”	means the Tsuen Wan Line, Island Line, South Island Line, Kwun Tong Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line, East Rail Line (excluding Cross-boundary), Ma On Shan Line and West Rail Line;
“First MTR South Western Trains”	means First MTR South Western Trains Limited, a joint venture (in which the Group holds a 30% shareholding) which operates the South Western Railway franchise in the United Kingdom;
“Government”	means the Government of the Hong Kong Special Administrative Region;
“Group”	means the Company and its subsidiaries;
“High Speed Rail”	means Guangzhou-Shenzhen-Hong Kong High Speed Rail (Hong Kong Section);
“Hong Kong Recurrent Businesses”	means the Group’s Hong Kong transport operations, Hong Kong station commercial businesses and Hong Kong property rental and management businesses;
“Hung Hom Incidents Related Costs”	has the meaning given to that term in the Company’s announcement dated 18 July 2019;
“Intercity”	means the intercity passenger services operated between Hong Kong and major cities in the Mainland of China such as Beijing, Shanghai and Guangzhou; and
“Light Rail”	means the train services of the light rail system serving the North West New Territories.

By Order of the Board
Gillian Elizabeth Meller
Company Secretary

Hong Kong, 5 December 2019

As at the date of this announcement:

Members of the Board: Rex Auyeung Pak-kuen (Chairman)**, Dr Jacob Kam Chak-pui (Chief Executive Officer), Andrew Clifford Winawer Brandler*, Walter Chan Kar-lok*, Dr Pamela Chan Wong Shui*, Dr Dorothy Chan Yuen Tak-fai*, Cheng Yan-kee*, Dr Anthony Chow Wing-kin*, Dr Eddy Fong Ching*, James Kwan Yuk-choi*, Rose Lee Wai-mun*, Lucia Li Li Ka-lai*, Jimmy Ng Wing-ka*, Benjamin Tang Kwok-bun*, Dr Allan Wong Chi-yun*, Johannes Zhou Yuan*, James Henry Lau Jr (Secretary for Financial Services and the Treasury)**, Secretary for Transport and Housing (Frank Chan Fan)**, Permanent Secretary for Development (Works) (Lam Sai-hung)** and Commissioner for Transport (Mable Chan)**

Members of the Executive Directorate: Dr Jacob Kam Chak-pui, Roger Francis Bayliss, Margaret Cheng Wai-ching, Dr Peter Ronald Ewen, Herbert Hui Leung-wah, Adi Lau Tin-shing, Gillian Elizabeth Meller, Linda So Ka-pik, David Tang Chi-fai and Jeny Yeung Mei-chun

* *independent non-executive Director*

** *non-executive Director*

This announcement is made in English and Chinese. In case of any inconsistency, the English version shall prevail.