MTR CORPORATION LIMITED
香港鐵路有限公司

(the "Company")
(Incorporated in Hong Kong with limited liability)
(Stock code: 66)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS

	Year ended 31 December		
in HK$ million	**2020**	2019	Change
Revenue from recurrent businesses	**42,541**	54,504	-21.9%
(Loss) / profit from recurrent businesses^	**(1,126)**	4,980	n/m
Profit from property development	**5,507**	5,580	-1.3%
Investment property revaluation (loss) / gain	**(9,190)**	1,372	n/m
Net (loss) / profit attributable to shareholders of the Company	**(4,809)**	11,932	n/m

^ : including share of results of associates and joint venture
n/m : not meaningful

- Final ordinary dividend of HK$0.98 per share recommended. Total ordinary dividend for the year of HK$1.23 per share, same as that of 2019

HIGHLIGHTS
Hong Kong Businesses

- On-going COVID-19 pandemic impacted significantly our financial performance in 2020. Patronage suffered a drop of 31.5% and shopping malls, duty free shops, station kiosks and advertising businesses were all adversely affected. Amid these challenges, fare rebates offered to passengers and rental concessions to tenants underscoring our support to communities in difficult times
- In spite of the pandemic, train service delivery and passenger journeys on-time in our heavy rail remained at 99.9% world-class level
- Tuen Ma Line Phase 1 opened in February 2020 and full line opening expected to be in the third quarter of 2021
- The East Rail Line new signalling system and new 9-car trains commissioned on 6 February 2021
- The funding for the Shatin to Central Link ("SCL") project approved by Legislative Council (without the additional project management cost of HK$1,371 million). The Company will comply with its project management obligations and meet the costs, on an interim and without prejudice basis, to allow the SCL project to progress and a provision for such project management cost was made
- Invitation received from Government to proceed with (i) detailed planning and design of Tung Chung Line Extension, Tuen Mun South Extension, Kwu Tung Station and Northern Link, and (ii) technical studies on the development of Siu Ho Wan Depot site

HIGHLIGHTS *(continued)*

Hong Kong Businesses *(continued)*

- Remaining interest of Telford Plaza II and PopCorn 2 acquired in March 2020 and The LOHAS opened in August 2020
- Hong Kong property development profit was HK$5.4 billion with two new property packages awarded in 2020 and one more in 2021

Mainland of China & International Businesses

- Four new projects commenced operations: two in Hangzhou, one in each of Shenzhen and Beijing
- Two new concessions won: Shenzhen Metro Line 13 Public Private Partnership project in Mainland, and Mälartåg Train Service Operations and Maintenance concession in Sweden

Corporate Strategy and Outlook

- Our new Corporate Strategy "Transforming the Future" will support our sustainable growth and deliver shareholder and stakeholder value by emphasizing innovation and environmental, social and governance principles
- The development of COVID-19 still remains uncertain and its adverse impact on our recurrent businesses may continue well into 2021
- Profit booking from MONTARA, SEA TO SKY and MARINI of LOHAS Park is dependent on construction progress. Subject to market conditions and necessary Government's approval, we aim to tender out four property development packages in the next 12 months or so

The Directors of the Company announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

in HK$ million	Year ended 31 December **2020**	2019
Revenue from Hong Kong transport operations	**11,896**	19,938
Revenue from Hong Kong station commercial businesses	**3,269**	6,799
Revenue from Hong Kong property rental and management businesses	**5,054**	5,137
Revenue from Mainland of China and international railway, property rental and management subsidiaries	**21,428**	21,085
Revenue from other businesses	**894**	1,545
	42,541	54,504
Revenue from Mainland of China property development	**-**	-
Total revenue	**42,541**	54,504
Expenses relating to Hong Kong transport operations		
- Staff costs and related expenses	**(6,317)**	(6,489)
- Maintenance and related works	**(2,085)**	(2,662)
- Energy and utilities	**(1,671)**	(1,841)
- General and administration expenses	**(888)**	(1,209)
- Railway support services	**(295)**	(630)
- Stores and spares consumed	**(572)**	(613)
- Government rent and rates	**(284)**	(256)
- Other expenses	**(206)**	(329)
	(12,318)	(14,029)

in HK$ million	Year ended 31 December **2020**	2019
Expenses relating to Hong Kong station commercial businesses	**(509)**	(680)
Expenses relating to Hong Kong property rental and management businesses	**(850)**	(851)
Expenses relating to Mainland of China and international railway, property rental and management subsidiaries	**(20,895)**	(19,760)
Expenses relating to other businesses	**(2,496)**	(3,557)
Project study and business development expenses	**(279)**	(276)
	(37,347)	(39,153)
Expenses relating to Mainland of China property development	**(13)**	(25)
Operating expenses before depreciation, amortisation and variable annual payment	**(37,360)**	(39,178)
Operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment		
- Arising from recurrent businesses	**5,194**	15,351
- Arising from Mainland of China property development	**(13)**	(25)
	5,181	15,326
Profit on Hong Kong property development	**6,491**	5,707
Operating profit before depreciation, amortisation and variable annual payment	**11,672**	21,033
Depreciation and amortisation	**(5,365)**	(5,237)
Variable annual payment	**(238)**	(2,583)
Share of profit of associates and joint venture	**605**	288
Profit before interest, finance charges and taxation	**6,674**	13,501
Interest and finance charges	**(1,004)**	(859)
Investment property revaluation (loss) / gain	**(9,190)**	1,372
(Loss) / profit before taxation	**(3,520)**	14,014
Income tax	**(1,301)**	(1,922)
(Loss) / profit for the year	**(4,821)**	12,092
Attributable to:		
- Shareholders of the Company	**(4,809)**	11,932
- Non-controlling interests	**(12)**	160
(Loss) / profit for the year	**(4,821)**	12,092
(Loss) / profit for the year attributable to shareholders of the Company:		
- Arising from recurrent businesses	**(1,126)**	4,980
- Arising from property development	**5,507**	5,580
- Arising from underlying businesses	**4,381**	10,560
- Arising from investment property revaluation	**(9,190)**	1,372
	(4,809)	11,932
(Loss) / earnings per share:		
- Basic	**(HK$0.78)**	HK$1.94
- Diluted	**(HK$0.78)**	HK$1.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in HK$ million	Year ended 31 December **2020**	2019
(Loss) / profit for the year	**(4,821)**	12,092
Other comprehensive income for the year (after taxation and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
- (Loss) / surplus on revaluation of self-occupied land and buildings	**(274)**	121
- Remeasurement of net asset/liability of defined benefit schemes	**752**	730
	478	851
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences on translation of:		
• financial statements of subsidiaries, associates and joint venture outside Hong Kong	**1,282**	(344)
• non-controlling interests	**13**	(15)
- Cash flow hedges: net movement in hedging reserve	**(73)**	244
	1,222	(115)
	1,700	736
Total comprehensive (loss) / income for the year	**(3,121)**	12,828
Attributable to:		
- Shareholders of the Company	**(3,122)**	12,683
- Non-controlling interests	**1**	145
Total comprehensive (loss) / income for the year	**(3,121)**	12,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in HK$ million	At 31 December 2020	At 31 December 2019
Assets		
Fixed assets		
- Investment properties	**86,058**	91,712
- Other property, plant and equipment	**101,999**	102,632
- Service concession assets	**32,875**	31,261
	220,932	225,605
Goodwill and property management rights	**79**	77
Property development in progress	**11,942**	12,022
Deferred expenditure	**1,116**	1,948
Interests in associates and joint venture	**11,592**	10,359
Deferred tax assets	**470**	134
Investments in securities	**468**	386
Properties held for sale	**1,800**	1,245
Derivative financial assets	**480**	198
Stores and spares	**2,014**	1,844
Debtors and other receivables	**13,313**	11,169
Amounts due from related parties	**5,462**	3,041
Cash, bank balances and deposits	**20,906**	21,186
	290,574	289,214
Liabilities		
Short-term loans	**3,357**	3,371
Creditors, other payables and provisions	**36,837**	33,315
Current taxation	**1,004**	2,024
Amounts due to related parties	**453**	2,990
Loans and other obligations	**46,983**	36,085
Obligations under service concession	**10,295**	10,350
Derivative financial liabilities	**381**	408
Loans from holders of non-controlling interests	**158**	144
Deferred tax liabilities	**14,125**	13,729
	113,593	102,416
Net assets	**176,981**	186,798
Capital and reserves		
Share capital	**59,666**	58,804
Shares held for Executive Share Incentive Scheme	**(262)**	(263)
Other reserves	**117,384**	128,065
Total equity attributable to shareholders of the Company	**176,788**	186,606
Non-controlling interests	**193**	192
Total equity	**176,981**	186,798

Notes: -

1. AUDITOR'S REPORT

The results for the year ended 31 December 2020 have been audited in accordance with Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Group's auditor, KPMG. Unmodified auditor's report of KPMG is included in the annual report to be sent to shareholders. The results have also been reviewed by the Group's Audit Committee.

The financial figures in respect of the Group's consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020, as set out in the preliminary announcement, have been compared by KPMG to the amounts set out in the Group's audited consolidated accounts for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor on this announcement.

2. BASIS OF PREPARATION

The preliminary announcement of the Company's annual results has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the financial years ended 31 December 2020 and 2019 included in this preliminary announcement of the annual results does not constitute the Company's statutory annual consolidated accounts for those years but is derived from those accounts. Further information relating to these statutory accounts required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

- The Company has delivered the accounts for the year ended 31 December 2019 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the accounts for the year ended 31 December 2020 in due course.

- The Company's auditor, KPMG, has reported on those consolidated accounts of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these have had a material effect on the Group's results and financial position.

The Group has not applied any new standard or amendments to HKFRSs that is not yet effective for the current accounting period.

3. RETAINED PROFITS

The movements of the retained profits during the years ended 31 December 2020 and 2019 are as follows:

in HK$ million	Year ended 31 December **2020**	2019
Balance as at 1 January	**124,880**	119,591
(Loss)/profit for the year attributable to shareholders of the Company	**(4,809)**	11,932
Other comprehensive income for the year attributable to shareholders of the Company	**752**	730
Vesting and forfeiture of award shares of Executive Share Incentive Scheme	**(2)**	(2)
Dividends declared and approved, net of scrip dividend for shares held for Executive Share Incentive Scheme	**(7,578)**	(7,371)
Balance as at 31 December	**113,243**	124,880

4. PROFIT ON HONG KONG PROPERTY DEVELOPMENT

Profit on Hong Kong property development comprises:

in HK$ million	Year ended 31 December **2020**	2019
Share of surplus, income and interest in unsold properties from property development	**6,481**	4,376
Income from receipt of properties for investment purpose	**-**	1,211
Agency fee and other income from West Rail property development	**42**	182
Overheads and miscellaneous studies	**(32)**	(62)
	6,491	5,707

5. INCOME TAX

in HK$ million	Year ended 31 December **2020**	2019
Current tax		
- Hong Kong Profits Tax	**958**	1,191
- Tax outside Hong Kong	**328**	264
	1,286	1,455
Less: Utilisation of government subsidy for Shenzhen Metro Line 4 operation	**(28)**	(71)
	1,258	1,384
Deferred tax		
- Origination and reversal of temporary differences on:		
- tax losses	**(20)**	(1)
- depreciation allowances in excess of related depreciation	**356**	620
- revaluation of properties	**(1)**	(5)
- provisions and others	**(292)**	(76)
	43	538
	1,301	1,922

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 2020 is calculated at 16.5% (2019: 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 2020 and 2019.

Current taxes for subsidiaries outside Hong Kong are charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

Provision for deferred tax on temporary differences arising in Hong Kong is calculated at the Hong Kong Profits Tax rate at 16.5% (2019: 16.5%), while that arising outside Hong Kong is calculated at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

The Company purchased tax reserve certificates in connection with the tax deductibility of certain payments relating to the Rail Merger. Please refer to note 10A to this announcement for details.

6. DIVIDEND

The Board has recommended to pay a final dividend of HK$0.98 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, the proposed 2020 final dividend, with a scrip dividend option, is expected to be distributed on 20 July 2021 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 4 June 2021.

7. (LOSS) / EARNINGS PER SHARE

The calculation of basic (loss) / earnings per share is based on the loss attributable to shareholders of the Company for the year ended 31 December 2020 of HK$4,809 million (2019: profit of HK$11,932 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the year amounting to 6,162,529,663 (2019: 6,142,546,733).

The calculation of diluted (loss) / earnings per share is based on the loss attributable to shareholders of the Company for the year ended 31 December 2020 of HK$4,809 million (2019: profit of HK$11,932 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the year after adjusting for the dilutive effect of the Company's share option scheme and Executive Share Incentive Scheme amounting to 6,162,529,663 (2019: 6,150,524,696). The effect of the Group's share option scheme (1,055,658 shares) and Executive Share Incentive Scheme (5,836,013 shares) are anti-dilutive for the year ended 31 December 2020 since they would result in a decrease in the loss per share.

Both basic and diluted earnings per share would have been HK$0.71 (2019: HK$1.72), if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK$4,381 million (2019: HK$10,560 million).

8. 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, Mainland of China and international railway, property rental and management businesses and other businesses) 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 the border of Mainland of China at Lo Wu and Lok Ma Chau, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), light rail and bus feeder with railway system in the north-west New Territories and intercity railway transport with certain cities in the Mainland of 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 and bandwidth services in railway 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 space and the provision of estate management services in Hong Kong.

(iv) Hong Kong property development: Property development activities at locations near the railway systems in Hong Kong.

(v) Mainland of 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 estate management services in the Mainland of China.

(vi) Mainland of China property development: Property development activities in the Mainland of China.

(vii) Other businesses: Businesses not directly relating to transport operations 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 and the provision of project management services to the Government of the Hong Kong Special Administrative Region (the "HKSAR Government" or "Government").

The results of the reportable segments and reconciliation to the corresponding consolidated totals in the accounts are shown below:

in HK$ million	Revenue Year ended 31 December 2020	2019	Contribution to (loss) / profit Year ended 31 December 2020	2019
Hong Kong transport operations	**11,896**	19,938	**(5,408)**	(591)
Hong Kong station commercial businesses	**3,269**	6,799	**2,502**	5,122
Hong Kong property rental and management businesses	**5,054**	5,137	**4,185**	4,264
Mainland of China and international railway, property rental and management businesses	**21,428**	21,085	**261**	1,089
Mainland of China property development	**-**	-	**(13)**	(25)
Other businesses	**894**	1,545	**(1,670)**	(2,077)
	42,541	54,504	**(143)**	7,782
Hong Kong property development			**6,491**	5,707
Project study and business development expenses			**(279)**	(276)
Share of profit of associates and joint venture			**605**	288
Profit before interest, finance charges and taxation			**6,674**	13,501
Interest and finance charges			**(1,004)**	(859)
Investment property revaluation (loss) / gain			**(9,190)**	1,372
Income tax			**(1,301)**	(1,922)
(Loss) / profit for the year			**(4,821)**	12,092

in HK$ million	Assets At 31 December 2020	2019	Liabilities At 31 December 2020	2019
Hong Kong transport operations	**131,291**	127,361	**18,159**	21,871
Hong Kong station commercial businesses	**3,517**	2,910	**2,090**	2,126
Hong Kong property rental and management businesses	**86,475**	91,597	**2,588**	2,379
Mainland of China and international railway, property rental and management businesses	**28,253**	25,615	**11,205**	9,622
Mainland of China property development	**4,982**	4,770	**875**	864
Other businesses	**4,418**	5,502	**3,417**	3,162
Hong Kong property development	**16,929**	15,906	**12,924**	10,434
	275,865	273,661	**51,258**	50,458
Unallocated assets/liabilities	**14,709**	15,553	**62,335**	51,958
Total	**290,574**	289,214	**113,593**	102,416

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 liabilities.

For the year ended 31 December 2020, revenue from two customers (2019: one customer) of the Mainland of China and international railway, property rental and management businesses segment has exceeded 10% of the Group's revenue. Approximately 16.49% and 10.60% of the Group's total revenue was attributable to each of the two customers respectively (2019: approximately 14.47% of the Group's total revenue was attributable to the customer).

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, property development in progress, deferred expenditure and interests in associates and joint venture ("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 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 the location of operation in the case of interests in associates and joint venture.

	Revenue from external customers Year ended 31 December		Specified non-current assets At 31 December	
in HK$ million	**2020**	2019	**2020**	2019
Hong Kong SAR (place of domicile)	**21,043**	33,357	**227,537**	233,019
Australia	**12,482**	12,305	**1,309**	941
Mainland of China and Macao SAR	**1,896**	1,934	**15,935**	15,155
Sweden	**4,747**	4,862	**819**	786
United Kingdom	**2,373**	2,046	**61**	110
	21,498	21,147	**18,124**	16,992
	42,541	54,504	**245,661**	250,011

9. 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) HSR Preliminary Entrustment Agreement

On 24 November 2008, the HKSAR Government and the Company entered into an entrustment agreement for the design of and site investigation and procurement activities in relation to the HSR (the "**HSR Preliminary Entrustment Agreement**"). 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.

(b) HSR Entrustment Agreement

In 2009, the HKSAR Government decided that the Company should be asked to proceed with the construction, testing and commissioning of the HSR on the understanding that the Company would subsequently be invited to undertake the operation of the HSR under the service concession approach. On 26 January 2010, the HKSAR Government and the Company entered into another entrustment agreement for the construction, and commissioning of the HSR (the "**HSR Entrustment Agreement**"). 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). As of 31 December 2020, the Company had received full payment of the HSR Project Management Fee from the HKSAR Government.

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 HSR Preliminary Entrustment Agreement and the HSR Entrustment Agreement (other than for death or personal injury) is subject to a cap equal to the 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 HSR Entrustment Agreement (as more particularly described in note 9A(c)(iv) below), up to the date of the annual report, no claim has been received from the HKSAR Government.

In April 2014, the Company announced that the construction period for the HSR project needed to be extended, with the target opening of the line for passenger service revised to the end of 2017.

On 30 June 2015, the Company reported to the HKSAR Government that the Company estimated:

- the HSR would be completed in the third quarter of 2018 (including programme contingency of six months) (the "**HSR Revised Programme**"); and

- the total project cost of HK$85.3 billion (including contingency), based on the HSR Revised Programme.

As a result of adjustments being made to certain elements of the Company's estimated project cost of 30 June 2015, the HKSAR Government and the Company reached agreement that the estimated project cost be reduced to HK$84.42 billion (the "**Revised Cost Estimate**"). Further particulars relating to the Revised Cost Estimate are set out in notes 9A(c) and (e) below.

(c) HSR Agreement

On 30 November 2015, the HKSAR Government and the Company entered into an agreement (the "**HSR Agreement**") relating to the further funding and completion of the

HSR. The HSR Agreement contains an integrated package of terms (subject to conditions as set out in note 9A(c)(vi) below) and provides that:

(i) The HKSAR Government will bear and finance the project cost up to HK$84.42 billion (which includes the original budgeted cost of HK$65 billion plus the agreed increase in the estimated project cost of HK$19.42 billion (the portion of the entrustment cost (up to HK$84.42 billion) that exceeds HK$65 billion being the "**Current Cost Overrun**"));

(ii) The Company will, if the project 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 will pay a special dividend in cash of HK$4.40 in aggregate per share in two equal tranches (of HK$2.20 per share in cash in each tranche) ("**Special Dividend**"). The first tranche was paid on 13 July 2016 and the second tranche was paid on 12 July 2017;

(iv) 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 HSR Preliminary Entrustment Agreement and HSR Entrustment Agreement ("**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. Under the HSR Entrustment Agreement, the Liability Cap is equal to the HSR Project Management Fee and any other fees that the Company receives under HSR Entrustment Agreement and certain fees received by the Company under the Preliminary Entrustment Agreement. Accordingly, the Liability Cap increases from up to HK$4.94 billion to up to HK$6.69 billion as the HSR Project Management Fee is increased in accordance with the HSR Agreement (as it will be equal to the increased HSR Project Management Fee under the HSR Entrustment Agreement of HK$6.34 billion plus the additional fees referred to above). 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;

(v) Certain amendments are made to the HSR Entrustment Agreement to reflect the arrangements contained in the HSR Agreement, including an increase in HSR Project Management Fee payable to the Company under HSR Entrustment Agreement to an aggregate of HK$6.34 billion (which reflects the estimate of the Company's expected internal costs in performing its obligations under the HSR Entrustment Agreement in relation to HSR project) and to reflect the HSR Revised Programme;

(vi) The arrangements under the HSR Agreement (including the payment of the Special Dividend) were conditional on:

- independent shareholder approval (which was sought at the General Meeting held on 1 February 2016); and

- Legislative Council approval in respect of the HKSAR Government's additional funding obligations.

The HSR Agreement (and the Special Dividend) was approved by the Company's independent shareholders at the General Meeting held on 1 February 2016 and became unconditional upon approval by the Legislative Council on 11 March 2016 of the HKSAR Government's additional funding obligations.

(d) Operations of HSR

On 23 August 2018, the Company and KCRC entered into the supplemental service concession agreement for the HSR ("**SSCA-HSR**") to supplement the Service Concession Agreement dated 9 August 2007 in order for KCRC to grant a concession to the Company in respect of the HSR and to prescribe the operational and financial requirements that will apply to the HSR. The commercial operation of HSR began on 23 September 2018.

(e) Based on the Company's latest review of the Revised Cost Estimate for the agreed scope of the project and having taken account of the opinion of independent experts including one on the review of the Revised Cost Estimate, the Company believes that, although the latest final project cost is likely to come close to the Revised Cost Estimate, the Revised Cost Estimate is still achievable and there is no current need to revise further such estimate. However, the final project cost can only be ascertained upon finalisation of all contracts, some of which will involve the resolution of commercial issues and may take several years to reach settlement based on past experience.

Having considered the number of contracts yet to be finalised and the contingency allowance currently available, there can be no absolute assurance that the final project cost will not exceed the Revised Cost Estimate, particularly if unforeseen difficulties arise in the resolution of commercial issues during the process of negotiating the final accounts. In such case, under the terms of the HSR Agreement, the Company will be required to bear and finance the portion of the project cost that exceeds the Revised Cost Estimate (if any) except for certain agreed excluded costs (as more particularly described in note 9A(c)(ii) above).

(f) The Company has not made any provision in its consolidated accounts 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. However, the final project cost can only be ascertained upon finalisation of all contracts, some of which will involve the resolution of commercial issues and may take several years to reach settlement;

(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 9A(c)(iv) above), given that (a) the Company has not received any notification from the HKSAR Government of any claim by the HKSAR Government against the Company or of any referral by the HKSAR Government to arbitration (which, as a result of the HSR Agreement, cannot take place until after commencement of commercial operations on the HSR) as of 31 December 2020 and up to the date of the annual report; (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

(iii) where applicable, because the Company is not able to measure with sufficient reliability the amount of the Company's obligation or liability (if any).

(g) During the year ended 31 December 2020, HSR Project Management Fee of HK$nil (2019: HK$78 million) was recognised in the consolidated profit and loss account. As at 31 December 2020, the total HSR Project Management Fee and the additional fees referred to above recognised to date in the consolidated profit and loss account amounted to HK$6,548 million (as at 31 December 2019: HK$6,548 million).

In relation to the sufficiency of the HSR Project Management Fee, the Company estimated that the total costs to complete performance of its obligations in relation to the HSR project are likely to exceed the HSR Project Management Fee. Accordingly, an appropriate amount of provision was recognised in the consolidated profit and loss account in the prior years.

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 payable by the HKSAR Government to the Company. During the year ended 31 December 2020, HK$122 million (2019: HK$343 million) of costs were incurred by the Company, which are payable by the HKSAR Government. As at 31 December 2020, the amount of such costs which remained outstanding from the HKSAR Government was HK$1,035 million (as at 31 December 2019: HK$1,219 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**"). As at 31 December 2020 and up to the date of the annual report, the Company has received payments of the Original PMC from the HKSAR Government in accordance with the original agreed payment schedule. During the year ended 31

December 2020, Original PMC of HK$565 million (2019: HK$857 million) was recognised in the consolidated profit and loss account. As at 31 December 2020, the total Original PMC recognised to date in the consolidated profit and loss account amounted to HK$7,893 million (as at 31 December 2019: HK$7,328 million).

(b) SCL EA3 cost overrun

(i) Cost to complete

The Company has previously announced that, due to the continuing challenges posed by external factors, 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. The Company carried out a detailed review of the estimated CTC for the main construction works in 2017 and submitted a revised estimated total CTC of HK$87,328 million, including an increase in the project management fee payable to the Company ("**2017 CTC Estimate**") to the HKSAR Government on 5 December 2017, taking into account a number of factors, including issues such as archaeological relics, the HKSAR Government's requests for additional scope and late or incomplete handover of construction sites.

The Company then carried out and completed a further review and revalidation of the CTC and, on 10 February 2020, notified the HKSAR Government, in accordance with the terms of the SCL EA3, of the latest estimate of the CTC, being 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 9B(b)(ii) below but excluding the Hung Hom Incidents Related Costs in respect of which the Company has already recognised a provision of HK$2 billion in its consolidated profit and loss account for the year ended 31 December 2019 (as detailed in note 9B(c)(iii) below). The 2020 CTC Estimate represents an increase of HK$12,172 million from the Original Entrusted Amount of HK$70,827 million, which is less than the increase in the 2017 CTC Estimate of HK$16,501 million.

In accordance with the terms of SCL EA3, the HKSAR Government issued its paper on 18 March 2020 to seek the approval of Legislative Council for additional funding required for the SCL Project amounting to HK$10,801 million ("**Additional Funding**") so that the SCL can be completed. On 12 June 2020, the Legislative Council approved the Additional Funding for the SCL Project. For the avoidance of doubt, the Additional Funding sought by the HKSAR Government and approved by the Legislative Council excluded the Hung Hom Incidents Related Costs (as detailed in note 9B(c)(iii) below) and any Additional PMC for the Company as further detailed in note 9B(b)(ii) below.

(ii) Additional PMC

As detailed in note 9B(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.

By December 2020, the aggregate amount of project management fee paid by the HKSAR Government to the Company in accordance with the payment schedule contained in the SCL EA3 was substantially close to the Original PMC (excluding, for the avoidance of doubt, the Additional PMC of HK$1,371 million previously sought by the Company) and has been expended in full by the Company. 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 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.

However, given the Company's view that there has been a significant delay to the project programme and associated increase in project management costs to the Company, the Company has recently written to the HKSAR Government to restate the Company's belief that the Company is entitled (in accordance with the terms of the SCL EA3 and following the Company's receipt of independent expert advice) to an increase in the project management fee, to be agreed by way of good faith negotiations or otherwise determined in accordance with the provisions of the SCL EA3. However, the HKSAR Government has responded to the Company by reiterating that the HKSAR Government considers there have not been any material modifications to any of the scope of works, entrustment activities and/or entrustment programme contained in the SCL EA3 and, as such, the HKSAR Government maintains its position of disagreement to any increase in the project management fee.

Despite the fact that this matter needs to be resolved, the Company has continued, and intends to continue, to comply with its project management obligations under the SCL EA3 and has met, and intends to continue to meet, the costs thereof, on an interim and without prejudice basis, to allow the SCL Project to progress in accordance with the latest programme in order to achieve a full opening of the SCL as soon as reasonably practicable, whilst reserving its position as to the ultimate liability for such costs and as to its rights to pursue the courses of action and remedies available under the SCL EA3.

(iii) Provision for the SCL PMC

After taking into account the matters described in note 9B(b)(ii) above, and in particular, the Company meeting, on an interim and without prejudice basis (whilst reserving its position as to the ultimate liability for such costs and as to its rights to pursue the courses of action and remedies available under the SCL EA3), the cost to the Company of continuing to comply with its project management obligations, the Group has recognised a provision of HK$1,371 million, for the estimated additional cost to the Company of continuing to comply with its project management responsibilities, in its consolidated profit and loss account for the year ended 31 December 2020. During the year ended 31 December 2020, the provision utilised amounted to HK$45 million and no provision was written back. The provision (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 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 payment becomes virtually certain, the amount of any such payment will be recognised and credited to the Company's consolidated profit and loss account in that financial period.

(c) Hung Hom Incidents

As stated in the Company's announcement dated 18 July 2019, towards the end of the first half of 2018, there were allegations 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. To address the First Hung Hom Incident, the Company submitted to the HKSAR Government a holistic proposal for the verification and assurance of the as-constructed conditions and workmanship quality of the Hung Hom Station extension.

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**"). To address the Second Hung Hom Incident, the Company submitted to the HKSAR Government a verification proposal for verification of the as-constructed condition and workmanship quality of these areas.

*(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). The Company has cooperated fully with the COI. The COI process included hearing of evidence from factual witnesses and reviewing evidence from experts on project management and structural engineering issues. 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 25 February 2019, the COI submitted an interim report to the Chief Executive on its findings and recommendations on matters covered by the original terms of reference. On 26 March 2019, the HKSAR Government published the redacted interim report in which the COI, while recognising it to be an interim report, 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. The COI also made a number of comments regarding the Company's performance and systems as well as a number of recommendations for the future.

On 18 July 2019, the Company completed and 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 to enable the SCL Project to be completed for public use in accordance with the latest project programme.

On 22 January 2020, the HKSAR Government reiterated, in its closing submissions on factual evidence for the extended inquiry submitted 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 27 March 2020, the COI submitted its final report to the Chief Executive on its findings and recommendations on matters covered by the original and extended terms of reference. On 12 May 2020, the HKSAR Government published the final report in which the COI determined that it is fully satisfied that, with the suitable measures in place, the station box structure will be safe and also fit for purpose. The COI also stated that it is satisfied that, with suitable measures completed, the NAT, SAT and HHS structures will be safe and fit for purpose. The suitable measures for the station box structure were completed in June 2020 and the suitable measures for the NAT, SAT and HHS structures were completed in May 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.

*(ii) Expert Adviser Team ("**EAT**")*

On 1 February 2021, the EAT on the SCL project, which was appointed by the HKSAR Government in August 2018 to conduct an overall review of the Company's project management system and recommend additional management and monitoring measures to be undertaken by the Company and the HKSAR Government in taking forward the SCL project, has submitted its final report to the HKSAR Government. The report noted that it is safe in practical terms to use the related built structures at Hung Hom Station for their intended purposes after the implementation of the suitable measures. The EAT has also put forward in the report recommendations to the Company and the HKSAR Government for the continuous improvement of railway project management.

(iii) Provision for the Hung Hom Incidents Related Costs

In July 2019, the HKSAR Government accepted the Company's recommendation that the Tuen Ma Line (Tai Wai to Hung Hom Section of the SCL) should open in phases, with the first phase involving the opening of commercial service on the Tuen Ma Line from Tai Wai Station to Kai Tak Station ("**Phased Opening**") which occurred on 14 February 2020.

In order to progress the SCL Project and to facilitate the Phased Opening 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 9B(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 profit and loss account for the year ended 31 December 2019. During the year ended 31 December 2020, the provision utilised amounted to HK$566 million (2019: HK$284 million) and no provision was written back (2019: HK$nil). The provision (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 profit and loss account in that financial period.

(d) Mixed Fleet Operation Incident

On 11 September 2020, the Company announced the delay in service commencement of the new East Rail Line ("**EAL**") signalling system and introduction of new nine-car trains which was originally scheduled for 12 September 2020 (collectively "**Mixed Fleet Operation Incident**"), following a review on the new signalling system conducted by the Company prior to service commencement.

On 13 September 2020, the Company announced the setting up of the Investigation Panel to look into the Mixed Fleet Operation Incident and to submit an investigation report to the HKSAR Government. On 21 January 2021, the Company submitted to the HKSAR Government for its review the report from the Investigation Panel. The Company acknowledged and accepted the findings of the Investigation Panel which include a finding that the issue concerned in the Mixed Fleet Operation Incident is not an issue of safety but of service reliability. The Company also accepted and will implement the recommendations made in the report. Following the satisfactory completion of further additional testing and approval by relevant HKSAR Government departments, the new signalling system and the new nine-car trains on the EAL were commissioned on 6 February 2021 in preparation for extending the EAL across the harbour to Admiralty Station.

(e) 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 9B(c)(i) above), up to the date of the 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 including the timing of any overall settlement in relation to the Hung Hom Incidents and their respective funding obligations relating to the Hung Hom Incidents Related Costs and the level of recovery from relevant parties 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 2020 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.

(f) Phased Opening of SCL

On 11 February 2020, 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 Tuen Ma Line Phase 1 in substantially the same manner as the existing railway network for a period of two years from 14 February 2020 including with KCRC the supplemental service concession agreement ("**SSCA-SCL**"). Prior to the full opening of the Tuen Ma Line, the parties are obliged to commence exclusive negotiations in good faith with a view to agreeing the terms of a supplemental service concession agreement for the entire Tuen Ma Line (which is intended to replace the SSCA-SCL that was executed on 11 February 2020).

10. DEBTORS AND CREDITORS

A As at 31 December 2020, the Group's debtors and other receivables amounted to HK$13,313 million (2019: HK$11,169 million), of which debtors accounted for HK$3,782 million (2019: HK$3,220 million). Receivables in respect of rentals, advertising and telecommunication activities are due from immediately to 50 days. Receivables in respect of income from railway subsidiaries outside of Hong Kong are mainly due within 30 days or in the following month. Receivables relating to consultancy services and entrustment works are due within 30 days. Receivables under interest rate and currency swap agreements are due in accordance with the terms of the agreements. Receivables relating to property development are due in accordance with the terms of the relevant development agreements or sale and purchase agreements. The ageing of debtors as at 31 December 2020 is analysed as follows:

in HK$ million	At 31 December **2020**	2019
Amounts not yet due	**3,343**	2,775
Overdue by 30 days	**209**	153
Overdue by 60 days	**80**	59
Overdue by 90 days	**24**	41
Overdue by more than 90 days	**126**	192
Total debtors	**3,782**	3,220
Other receivables and contract assets	**9,531**	7,949
	13,313	11,169

During the years ended 31 December 2017 and 2018, the Inland Revenue Department of Hong Kong ("IRD") issued notices of assessment/additional assessment for the years of assessment 2010/2011 to 2017/2018 following queries in connection with the tax deductibility of certain payments relating to the Rail Merger.

Based on the strength of advice from external senior counsels and tax advisor, the directors of the Company have determined to strongly contest the assessments raised by the IRD. The Company has lodged objections against these tax assessments 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$1,816 million and HK$462 million in 2017 and 2018 respectively. 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. No additional tax provision has been made during the years ended 31 December 2019 and 2020 in respect of the above notices of assessment/additional assessment.

B As at 31 December 2020, creditors, other payables and provisions amounted to HK$36,837 million (2019: HK$33,315 million), of which creditors and accrued charges amounted to HK$19,419 million (2019: HK$19,315 million). As at 31 December 2020, the analysis of creditors by due dates is as follows:

in HK$ million	At 31 December **2020**	2019
Due within 30 days or on demand	**8,024**	7,157
Due after 30 days but within 60 days	**1,450**	1,559
Due after 60 days but within 90 days	**638**	774
Due after 90 days	**4,844**	4,978
	14,956	14,468
Rental and other refundable deposits	**2,989**	2,857
Accrued employee benefits	**1,474**	1,990
	19,419	19,315

11. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of the Group's listed securities during the year ended 31 December 2020. 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 Hong Kong Stock Exchange a total of 2,020,000 Ordinary Shares of the Company for a total consideration of approximately HK$86 million during the year ended 31 December 2020.

12. CHARGE ON GROUP ASSETS

As at 31 December 2020, MTR Corporation (Shenzhen) Limited, an indirect wholly owned subsidiary of the Company in the Mainland of China, 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 RMB1,653 million bank loan facility granted to it.

Saved as disclosed above, none of the other assets of the Group was charged or subject to any encumbrance as at 31 December 2020.

13. ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 26 May 2021. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about 15 April 2021.

14. CORPORATE GOVERNANCE

During the year ended 31 December 2020, the Company has complied with the Code Provisions set out in the Corporate Governance Code, contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board has proposed to make certain amendments to the Company's Articles of Association with a view to (i) providing greater flexibility for the Company in holding general meetings as hybrid meetings and conducting general meetings at more than one location where shareholders of the Company can participate using electronic facilities, in addition to/instead of attending physically; (ii) empowering the Board and the chairman of general meetings to make necessary arrangements for managing shareholders' attendance and/or participation and/or voting at general meetings; (iii) simplifying the calculation of the relevant value of scrip dividends under the Company's scrip dividend scheme in force from time to time; (iv) providing additional means for directors to approve written resolutions; and (v) making housekeeping amendments to align the Company's Articles of Association with the Companies Ordinance and the proposed amendments above.

The proposed amendments will be subject to the approval of the shareholders of the Company by way of a special resolution at the Annual General Meeting. Details will be set out in the circular to be issued to shareholders together with the 2020 Annual Report.

15. PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at www.mtr.com.hk and the website of the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Annual Report will also be available at the Company's and the Stock Exchange's websites and will be despatched to shareholders of the Company in mid April 2021.

KEY STATISTICS

	Year ended 31 December	
	2020	2019
Total passenger boardings for Hong Kong transport operations (in millions)		
- Domestic Service	**1,145.0**	1,568.2
- Cross-boundary Service	**7.6**	104.2
- High Speed Rail (Hong Kong Section)	**1.0**	16.9
- Airport Express	**3.1**	15.8
- Light Rail and Bus	**154.0**	207.3
Average number of passengers (in thousands)		
- Domestic Service (weekday)	**3,406.0**	4,658.1
- Cross-boundary Service (daily)	**20.9**	285.4
- High Speed Rail (Hong Kong Section) (daily)	**35.6**(1)	46.4
- Airport Express (daily)	**8.4**	43.2
- Light Rail and Bus (weekday)	**438.0**	598.6
EBITDA margin^		
- Including Mainland of China and international subsidiaries	**12.2%**	28.1%
- Excluding Mainland of China and international subsidiaries $^{\delta}$	**22.1%**	42.0%
EBIT margin*		
- Including Mainland of China and international subsidiaries	**(1.0%)**	13.8%
- Excluding Mainland of China and international subsidiaries $^{\varphi}$	**(3.2%)**	19.3%

(1) Average of 1 January 2020 to 29 Janaury 2020

^ Operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment as a percentage of total revenue

δ Excluding the relevant revenue and expenses of Mainland of China and international subsidiaries of HK$21,428 million and HK$20,908 million (2019: HK$21,085 million and HK$19,785 million) respectively

* Profit before interest, finance charges and taxation (excluding profit on Hong Kong property development and share of profit of associates and joint venture) as a percentage of total revenue

φ Excluding the relevant revenue, expenses, depreciation and amortisation of Mainland of China and international subsidiaries of HK$21,428 million, HK$20,908 million and HK$272 million (2019: HK$21,085 million, HK$19,785 million and HK$236 million) respectively

MANAGEMENT REVIEW AND OUTLOOK

The past year was one of the most difficult in the history of our company. COVID-19 presented stiff challenges to our operations and business, demanding decisive actions and resolute execution as we worked tirelessly to ensure that Hong Kong stayed on track throughout the worst of the pandemic.

Despite the circumstances, our dedicated colleagues rose to the occasion and performed admirably. We did our best to support our communities with strong service performance and an unwavering commitment to health and safety. Most importantly for the long-term prospects of both MTR and Hong Kong, we also formulated a visionary new corporate strategy, one that will support our future growth and deliver shareholder and stakeholder value by emphasising innovation and sustainability, particularly environmental, social and governance ("ESG") principles.

CORPORATE STRATEGY: "TRANSFORMING THE FUTURE"

Socioeconomic trends, technological advances and increasingly interconnected communities are driving transformational changes in our world. MTR aims to be at the vanguard of tomorrow by pursuing a new Corporate Strategy that allows us not only to anticipate and respond to change, but also to participate in its creation.

Our Corporate Strategy, "Transforming the Future" will firmly establish clear business and social and environmental goals under a robust ESG framework, driving the sustainability of our business and creating healthy, long-term, symbiotic relationships with the communities in which we operate. It will help us pursue business growth opportunities that support local economies and keep cities moving. We also aim to foster a corporate culture that responds to external changes with agility and care.

The new Corporate Strategy clearly defines our three core pillars, their importance to our company and how we intend to bolster them.

- **Pillar 1: Hong Kong Core.** We will continue to realise the full potential of our businesses in Hong Kong through expanding our existing businesses and entering into adjacencies, ensuring smooth delivery of projects as well as enhancing cost effectiveness. We will also strive to reduce carbon emissions, promote social inclusion and create opportunities for society as we develop new rail lines, properties and commercial activities across the city – increasing stakeholder value while also ensuring a sustainable business that grows together with the areas it serves.

- **Pillar 2: Mainland of China and International Business.** We will continue to maintain steady growth in the Mainland of China and globally. This pillar also enables us to build our presence in the Mainland and international markets, leveraging our corporate culture, expertise and, importantly, our brand.

- **Pillar 3: New Growth Engines.** Technology and innovation have long played key roles in MTR's success. This pillar is where we invest in new technologies and mobility services for long-term growth. It is instrumental both as an enabler and as a source of new business opportunities.

These pillars are supported by five enablers that together strengthen our operational foundation.

- Technology: utilising data and analytics to make decisions and identify opportunities, as well as investing in technology to improve effectiveness and efficiency and explore new business opportunities

- Organisation and Processes: strengthening organisational structures so as to make faster and more accountable business decisions

- People: investing resources in talent development and smart working with innovative methods and technology

- Finance: enhancing accountability and focus on sustainable financial goals

- Transformation Management Office: guiding the delivery of our Corporate Strategy

With the Corporate Strategy as our roadmap, we will continue endeavouring to "Keep Cities Moving" sustainably and more efficiently, helping our Company, its shareholders and stakeholders shape a better future together. To support the implementation of the Corporate Strategy, a new management organisation will be put in place by phases with the intention of clarifying accountability for the delivery of the Corporate Strategy and strengthening the Company's internal control and risk management framework. The first phase of the reorganisation has been implemented as announced on 10 February 2021.

COVID-19 AND THE "NEW NORMAL"

COVID-19 brought Hong Kong and other markets around the world to a virtual standstill as governments issued stay-at-home mandates, restricted travel and implemented various other anti-pandemic guidelines. The results were steep declines in tourism, retail, food and beverage, travel and a number of other industries.

Immediately following the outbreak, we took decisive and thorough measures to ensure public health and safety at our facilities. We increased the frequency and comprehensiveness of our cleaning routines. We employed sanitising robots to disinfect trains, especially in spaces that are hard to reach by cleaning crews. We applied technology to further enhance the hygiene of public-facing facilities at stations, reinforcing photocatalytic coating and introducing touch-free buttons for passenger lifts. We not only required masks in trains and stations but also provided sanitiser and even installed vending machines to make masks more accessible to the public. We launched our own face mask production lines to ensure a steady supply for our staff in addition to providing workplace personal protection equipment ("PPE"). We also initiated appropriate flexible work arrangements to safeguard our staff's health and safety against the COVID-19. Outside of Hong Kong, we have also been dedicated in providing a safe and clean environment for our staff and customers.

Importantly, the pandemic showed just how significant corporate responsibility and governance principles are to MTR for ensuring sustainable operations. Underscoring our commitment to society and our support of local businesses in difficult times, we introduced a number of relief measures. These included offering fare rebates for commuters and granting rental concessions to most of our mall and station shop tenants commencing in February and lasting throughout the year, with priority given to small to medium tenants. Earlier in the year, we donated 100,000 masks to communities in need, and our Board and Executive Directors donated part of their remuneration to local charity groups. We also placed vending machines at 20 stations for the public to conveniently pick up free COVID-19 specimen collection packs. Initiatives such as these demonstrated our care and commitment for the communities where we operate.

Financially, MTR was affected by significantly reduced train patronage owing to various pandemic control measures. We saw lower rental income as a result of the economic slowdown and rental concessions given to tenants who were suffering from cross-boundary station closures and reduced footfall at our commercial properties. Advertising income also came under severe pressure due to poor retail sales and consumer sentiment. Therefore, we adopted a number of measures to alleviate these impacts, including making timely adjustments of off-peak hour service level in response to changes in travel demand; ensuring even higher levels of travel health and safety; enhancing MTR Mobile loyalty programmes and lifestyle content; making rental leases more attractive through greater flexibility and shorter terms; building tenant loyalty by granting rental concessions, particularly to small to medium tenants; and implementing stringent cost controls.

Many of the changes our society has experienced are likely to continue as governments around the world continue to grapple with containing COVID-19. Mask-wearing, social distancing, work-from-home policies, greater reliance on e-commerce, and intensified cleaning and sanitisation routines are all potentially part of the "new normal". We are adjusting ourselves for the "new normal" through digital development. For example, we are leveraging MTR Mobile to further improve the customer experience; providing more payment options at gates; developing new and effective hygiene measures to maintain public confidence; improving cost efficiency through technology deployment; launching "online-offline" advertising packages; introducing new retail modes; and continuing our data strategy to capture business opportunities and make operational improvements. As an important transport provider in Hong Kong and overseas, one that keeps people moving and connected every day, we have fully taken on board the lessons of the novel coronavirus and will continue to help set the new standards for public health and safety and staff well-being.

2020 POLICY ADDRESS AND RDS 2014

In our Hong Kong railway business, MTR continued to work toward helping Government achieve its objectives for the future development of the city's transport infrastructure as outlined in the 2020 Policy Address and Railway Development Strategy 2014 ("RDS 2014").

Under RDS 2014, we awarded the design consultancy for the Tung Chung Line Extension and Tuen Mun South Extension (which will become the Tuen Ma Line Extension in the future) after being invited earlier in the year to proceed with detailed planning and design for the two projects. We were also invited by Government to proceed with detailed planning and design for Kwu Tung Station and the Northern Link.

To support Government's housing supply policy, we have been invited by Government to proceed with technical studies on the development of the Siu Ho Wan Depot site, which is planned to offer approximately 20,000 residential units as well as community and retail facilities. Advance works and design are underway.

In 2020, we submitted the remaining proposals under RDS 2014 - the Hung Shui Kiu Station and South Island Line (West) projects - to Government.

OVERCOMING CHALLENGES ENCOUNTERED

We decided in September 2020 to postpone the commencement of the new signalling system and gradual introduction of the new nine-car trains on the East Rail Line in order to properly resolve the route recall situation, which has no impact on safety. Following satisfactory completion of further additional testing and approval by relevant Government departments, the new signalling system and new trains on the East Rail Line were commissioned on 6 February 2021.

The Final Report of the Commission of Inquiry ("COI") into the Construction Works at and near the Hung Hom Station Extension under the Shatin to Central Link and the Final Report of the Expert Advisor Team on the Shatin to Central Link project were released in May 2020 and February 2021, respectively. The COI report concluded that the relevant structures at and near Hung Hom Station are safe and fit for purpose with the completion of suitable measures. Separately, the Expert Advisor Team report also concluded that it is safe in practical terms to use the related built structures at Hung Hom Station for their intended purposes after the implementation of suitable measures. Over the past two years, we have already introduced a number of improvements in our project management systems. Many of these enhancements have now been incorporated into our standard project management practices and procedures and will be applied for the completion of the Shatin to Central Link as well as new railway projects.

We also moved quickly to implement a number of improvement measures following the March 2020 release of the investigation report into the derailment incident near Hung Hom Station along the East Rail Line.

BUSINESS HIGHLIGHTS AND PERFORMANCE

In a difficult year, there were still a number of highlights to note. We once again posted excellent 99.9% performance for train service delivery and on-time passenger journeys. Meanwhile, technology continued to be an increasingly important contributor to our operations. The year under review saw us enhancing the information, news and functions of MTR Mobile to improve the customer experience as well as increase our use of smart asset management to boost railway reliability. We opened Tuen Ma Line Phase 1 in February 2020 and are on schedule to open the full line in the third quarter of 2021.

MTR made good progress in property development in Hong Kong. We awarded the tenders for LOHAS Park Package 12 and Package 13 in 2020 and The Southside (also known as "Wong Chuk Hang Station Property Development") Package 5 in January 2021, and we opened The LOHAS shopping mall in August 2020.

In Mainland of China and International businesses, we were awarded Shenzhen Metro Line 13, a public-private partnership ("PPP") project for investment in and construction of the line as well as operations and maintenance ("O&M") for 30 years after completion. We were awarded the O&M concession for the Mälartåg train service in Sweden for eight years starting from December 2021. We also opened the full Hangzhou Metro Line 5 ("HZL5") in April, the Shenzhen Metro Line 4 North Extension in October, and Hangzhou Metro Line 1 Phase 3 (Airport Extension) and the Middle Section of Beijing Metro Line 16 in December.

As announced on 19 January 2021, our financial results in 2020 were affected by the significant impact of the COVID-19 pandemic. Loss arising from recurrent businesses for the year was HK$1,126 million. Property development profit for the year decreased by 1.3% to HK$5,507 million. As a result, profit arising from underlying businesses decreased by 58.5% to HK$4,381 million. Including the loss arising from investment property revaluation (a non-cash accounting item), net loss attributable to shareholders of the Company was HK$4,809 million, representing loss per share after revaluation of HK$0.78.

Your Board has proposed a final ordinary dividend of HK$0.98 per share, which together with the interim dividend of HK$0.25 per share brings the full-year dividend to HK$1.23 per share, same as that of 2019.

HONG KONG BUSINESSES

MTR's "Hong Kong Core" is one of the Company's three strategic pillars. Our "Rail Plus Property" business model drives revenue for this pillar through diversified streams, enabling the Company and its shareholders to participate in and benefit from Hong Kong's expanding transport links as well as their associated developments.

Transport Operations

HK$ million	Year ended 31 December **2020**	2019	Inc./(Dec.) %
Hong Kong Transport Operations			
Total Revenue	**11,896**	19,938	(40.3)
(Loss)/Profit before Depreciation, Amortisation and Variable Annual Payment ("EBITDA")	**(422)**	5,909	n/m
(Loss)/Profit before Interest and Finance Charges and After Variable Annual Payment ("EBIT")	**(5,408)**	(591)	(815.1)
EBITDA Margin (in %)	**(3.5)%**	29.6%	(33.1)% pts
EBIT Margin (in %)	**(45.5)%**	(3.0)%	(42.5)% pts

n/m: not meaningful

In 2020, total revenue from Hong Kong transport operations decreased by 40.3% to HK$11,896 million from HK$19,938 million in 2019. Loss before interest and finance charges and after the variable annual payment was HK$5,408 million. These results were primarily due to the COVID-19 outbreak, which had negative impacts on patronage and average fare from early 2020 onward.

Patronage and Revenue

	Patronage *In millions*		Revenue *HK$ million*	
Hong Kong Transport Operations	**2020**	Inc./(Dec.) %	**2020**	Inc./(Dec.) %
Domestic Service	**1,145.0**	(27.0)	**9,229**	(27.4)
Cross-boundary Service	**7.6**	(92.7)	**516**	(83.7)
High Speed Rail ("HSR")	**1.0**	(93.9)	**1,277**	(39.1)
Airport Express	**3.1**	(80.5)	**140**	(86.2)
Light Rail and Bus	**154.0**	(25.8)	**481**	(29.0)
Intercity	**0.1**	(94.5)	**20**	(88.6)
	1,310.8	(31.5)	**11,663**	(41.2)
Others			**233**	135.4
Total			**11,896**	(40.3)

Total patronage across all MTR rail and bus passenger services decreased by 31.5% to 1,310.8 million compared to 2019. Average weekday patronage decreased by 30.9% to 3.88 million. The closures of Cross-boundary Service and the High Speed Rail ("HSR") due to COVID-19 together had a significant impact on cross-border patronage. Passengers of Domestic Service decreased by 27.0% to 1,145.0 million as a result of Government- and workplace-mandated social distancing measures as well as school closures, which caused more people to work and study from home. Travel restrictions greatly affected the number of air travellers entering and departing Hong Kong, resulting in an 80.5% decrease in Airport Express patronage.

To stimulate ridership in response to the challenges posed by the COVID-19 pandemic, we have been promoting non-peak travel and creating attractive fare, ticket and pass promotions. We are leveraging our constantly evolving MTR Mobile to effectively bring the latest offers to users. More than ever, we have been regularly reviewing our train schedules to account for demand fluctuations and ensure customer convenience. We are also seeking to promote MTR to domestic users as the preferred transit method for exploring the numerous travel and sightseeing opportunities within Hong Kong.

Market Share

The Company's overall market share of the franchised public transport market in Hong Kong in 2020 was 45.3% compared with 47.4% in 2019. This decline was mainly due to the precipitous drop in patronage owing to the COVID-19 pandemic for Cross-boundary Service, HSR and Airport Express, in which we have a relatively higher market share than other franchised transport operators. Our share of cross-harbour traffic was 66.1% compared with 67.5% in 2019. Our share of the cross-boundary business for 2020, including HSR and Cross-boundary Service, fell to 47.2% from 51.3%. Our share of traffic to and from the airport decreased to 16.3% from 20.5%.

Fare Adjustment, Promotions and Concessions

Passengers using Octopus received a rebate of 3.3% on every trip, in effect paying no actual fare increase as set by the +3.3% Fare Adjustment Mechanism ("FAM") for 2019/2020. In 2020, we made no price adjustments for various tickets and passes, offered discount promotions, and granted HK$1.7 billion in on-going fare concessions to the elderly, children, students and persons with disabilities.

In April 2020, MTR announced a six-month package of economic relief measures, including a 20% rebate on every Octopus trip and HK$100 discounts on MTR City Saver and Monthly Pass Extras; in November 2020 these measures were extended till March 2021 and June 2021, respectively. Government agreed to bear half of the total actual revenue forgone arising from these measures during the period between July 2020 and March 2021.

With no fare increase in 2020 owing to the negative growth of Median Monthly Household Income, the announced 2020/2021 FAM of +2.55% may be recouped over the subsequent two years, with +1.28% to be recouped in 2021/2022 and +1.27% to be recouped in 2022/2023. The +0.3% fare adjustment for the announced 2019/2020 FAM that was not implemented may also be recouped in 2021/2022. Such recoupments will be made subject to the provisions of the FAM.

Service Performance

MTR prides itself on service reliability and excellence. In 2020, we were able to achieve an exemplary 99.9% on-time mark for passenger journeys and train service delivery for our heavy rail network. Passenger journeys on-time are defined as those that are completed within five minutes of their scheduled journey times, while train service delivery measures actual train trips against those scheduled to be run.

In 2020, MTR ran more than 1.78 million trips on its heavy rail network and more than 1 million trips on its light rail network. Of these, the heavy rail network and light rail network experienced eight delays and no delays respectively, defined as those lasting 31 minutes or more and attributable to factors within the Company's control. The light rail network continued its record dating back to 2019 of no delays lasting 31 minutes or more and attributable to factors within the Company's control. In all cases of delay, we thoroughly investigate the circumstances and take necessary steps to ensure that similar instances do not occur again in future.

An Investigation Panel was convened to examine delays to the commencement of the new signalling system and gradual introduction of new trains on the East Rail Line, an important part of the Shatin to Central Link project. An investigation report was submitted in January 2021. Safety has been reaffirmed by the technical investigation, which showed that the concerned issue was caused by a non-safety-critical software module being overloaded by a new software module specifically built for the Company to provide extra train monitoring information to the Operations Control Centre. The contractor resolved the issue by upgrading the software and stopping the new software module. Following satisfactory completion of all further testing and approvals from relevant Government departments on the safe and sound condition of the new signalling system and new trains, the new signalling system and trains were commissioned on 6 February 2021.

On 3 March 2020, MTR released to the public the investigation report detailing the train derailment near Hung Hom Station in September 2019. Investigators concluded that the derailment was caused by dynamic track gauge widening at a turnout near the station. Following the release of the report, the Company took immediate actions to prevent similar incidents.

Enhancing the Customer Service Experience

MTR places great emphasis on delivering a world-class customer experience, and the year under review saw us once again embark upon a number of enhancement projects for our trains and stations. In line with one of our core strategic pillars, we are also keen on areas such as smart mobility as well as smart operations and maintenance to drive our future growth.

<u>Boosting Passenger Convenience</u>

On 14 February 2020, we opened Phase 1 of the Tuen Ma Line, commencing services at the new stations of Hin Keng and Kai Tak as well as the expanded section of Diamond Hill Station. The

average daily usage of these three stations was 125,000 passengers from opening to the end of 2020.

During the pandemic we strove to balance public health with the need to maintain sufficient service, increasing and decreasing non-peak service based on social distancing requirements as well as work and school guidelines. We continue to monitor the situation closely to provide adequate service while also ensuring public health.

Greater Comfort for Passengers

MTR has ordered 93 new heavy rail eight-car trains and 40 new light rail vehicles to retire older trains and vehicles before their life expiry. Nine new heavy rail trains have been delivered and two more are scheduled to be delivered by early 2021. The first two new light rail vehicles were put into service in November 2020; eight more have been delivered and were undergoing testing and commissioning as at the end of 2020.

Since 2017, we have been systematically replacing chillers throughout our stations and depots to ensure comfortable environments for passengers and staff. This work is expected to be completed in 2023.

We are also upgrading our signalling system to increase service capacity. Software revamping and assurance work on the Tsuen Wan Line signalling system is progressing slowly, further compounded by COVID-19 lockdown measures imposed at the contractor's office in Canada. Work is also underway on the replacement of the signalling systems for the Island, Kwun Tong and Tseung Kwan O lines. Work on the signalling of the Tung Chung and Disneyland Resort lines as well as Airport Express will be planned together with the Tung Chung Line Extension under RDS 2014.

Enhancing Station Facilities

To provide greater comfort and convenience for passengers, we opened new public toilets and baby care rooms at the stations along Phase 1 of the Tuen Ma Line in February 2020 as well as Yau Ma Tei and North Point stations in June 2020 and September 2020, respectively. We also continued to install drinking water dispensers at selected stations to meet passenger needs and reduce plastic waste. New external lifts and escalators were provided to further improve barrier-free access at stations. Over 100 passenger lifts across the network have now been equipped with "contactless" lift button sensors to protect our customers during the pandemic.

To help passengers stay connected while on the go, our free Wi-Fi coverage was expanded during the year from station hotspots to all station platform and concourse areas. We continued to increase the number of mobile charging spots available in stations, including USB charging sockets and wireless charging pads. There are now mobile charging facilities at 29 stations, including all interchange stations.

Smart Mobility to Enhance Customer Journeys

MTR is committed to keeping abreast of technologies and trends that can help communities stay connected and ride smart. The new MTR Mobile features railway and other transport information and functions, news and offers from MTR Malls and station shops, and a variety of lifestyle content. Its MTR Points loyalty scheme enables customers to earn and redeem MTR Points for free rides and other attractive rewards. The "Next Train" function now shows estimated times of arrival for selected heavy rail and light rail lines. "Trip Planner" now recommends up to three journey options. "Traffic News" lets passengers enter their preferred time and date for a point-to-point route and informs them of any service disruptions through push notifications.

To digitalise and automate customer touchpoints and deliver a smarter, more seamless travel experience, a number of initiatives were introduced in 2020. For example, passengers can purchase monthly passes in advance via MTR Mobile and avoid queues. Students may now use the app to renew their "Student Status" on their Octopus cards and continue enjoying concessionary fares. Starting from 23 January 2021, passengers can tap the entry/exit gates with a QR code ticket on MTR Mobile or EasyGo on AlipayHK, marking a new milestone for MTR's efforts to promote smart mobility.

Smart Operations and Maintenance

In 2020, we continued to improve our services through innovation by introducing five AI-powered "smart trainee" robots to the Kai Tak Station operations team. Their functions include giving passengers directions, helping with journey planning, inspecting station facilities and carrying out cleaning tasks. We launched the InnoEtronic invention zone and robotics co-working space at Kowloon Bay Depot, a strategic partnership that explores innovative technologies for smart rolling stock maintenance. Automatic Air-conditioning Filter Cleaning Machines were installed at the Pat Heung and Chai Wan depots to replace tedious manual cleaning and standardise filter cleaning quality and efficiency. We started trials for an Underframe Inspection Robot at Pat Heung Depot, which is designed to automate part of the rolling stock inspection process by using image recognition, AI and precise motion control to identify and report anomalies. We also started trialling a Smart Train Roof and Pantograph Monitoring System at Tuen Ma Line Phase 1, which automatically captures a complete image of the train pantograph and train roof and uses image recognition technology to identify potential anomalies and alert users to prevent further escalation of failure.

MTR has also been exploring and adopting smart asset management to improve the reliability of its railway services. We are currently trialling SmartChain, a blockchain-based platform that optimises supply chain management and workflow transparency. We developed an award-winning Maintenance Cloud System and Condition Monitoring Hardware to manage manpower and monitor train relay electronic performance in real time. Smart Train Planning, rolled out in October 2020, is a self-regulating AI platform using cloud technology that shortens train downtime by optimising train deployment and maintenance. A Digital Monitoring System for workshop processes is in development to help staff plan and monitor train maintenance. We also began using Smart Forms mobile app to digitise information and records, resulting in faster, higher-quality maintenance work.

Station Commercial Businesses

HK$ million	**Year ended 31 December 2020**	2019	Inc./(Dec.) %
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	**2,021**	4,800	(57.9)
Advertising Revenue	**516**	1,130	(54.3)
Telecommunication Income	**640**	743	(13.9)
Other Station Commercial Income	**92**	126	(27.0)
Total Revenue	**3,269**	6,799	(51.9)
EBITDA	**2,760**	6,119	(54.9)
EBIT	**2,502**	5,122	(51.2)
EBITDA Margin (in %)	**84.4%**	90.0%	(5.6)% pts.
EBIT Margin (in %)	**76.5%**	75.3%	1.2% pts.

In 2020, total revenue from all Hong Kong station commercial activities decreased by 51.9% to HK$3,269 million. This was mainly due to rental concessions granted to tenants who were affected by station closures and suspended cross-boundary rail services following border shutdowns, as well as rental concessions granted to other station shop tenants during the COVID-19 outbreak.

During the year, COVID-19 caused steep declines in tenant business at MTR stations due to anti-pandemic measures, travel restrictions and the weak economic environment, which greatly reduced store business and almost completely eliminated overseas and cross-boundary tourism. Advertising revenue was also significantly impacted. To address these issues, MTR offered more aggressive advertising sales packages as well as solutions encouraging tenants to use more online-offline retail, which enables customers to receive offers digitally and fulfil them in-store, thus driving sales while reducing face-to-face interaction. We also digitalised our advertising panels and back-end system to boost the visual appeal and digital creativity of our advertising offerings for advertisers.

Rental concessions and the closure of Duty Free shops in border stations resulted in a 57.9% decrease in station retail rental revenue to HK$2,021 million. In addition to rental concessions granted to tenants affected by the suspended cross-boundary rail services, MTR also offered rental relief to small to medium tenants in other station shops by granting half-month reductions of their rents from February to April 2020. Rental relief for large corporations was considered on a case-by-case basis. From May to December 2020, we continued offering rental relief to all tenants. Rental reversion and average occupancy rates in 2020 for station kiosks were approximately -8% and 98.3%, respectively.

During the year, the Company continued to employ innovative marketing promotions to stimulate retail activity. The MTR Points loyalty scheme, introduced in May 2020, encourages customers to ride on MTR, make purchases at designated station shops and MTR Malls, and redeem gifts with earned MTR Points. We also launched promotional campaigns from time to time, including special offers from station shops to boost sales. Meanwhile, our two "v-smart" unmanned automated station shops at Kowloon and Tsing Yi stations continued to offer customers a new retail experience.

As at 31 December 2020, the lease expiry profile of our station kiosks (including duty free shops) by area occupied was such that approximately 32% will expire in 2021, 47% in 2022, and 21% in 2023 and beyond.

In terms of trade mix, food and beverage accounted for approximately 22% of the leased area of our station kiosks (excluding duty free shops), followed by cake shops 16%, convenience stores 14%, passenger services 11% and others 37% as at 31 December 2020.

Revenue from advertising decreased by 54.3% to HK$516 million in 2020 as the COVID-19 outbreak resulted in steep declines in tourism and retail sales, causing advertisers to postpone or cancel campaigns. To drive sales in a difficult market, the Company offered value-added packages to capture limited budgets and late bookings.

Telecommunications revenue decreased by 13.9% to HK$640 million in 2020. This was attributed to the special fee concession given during the COVID-19 pandemic and subsequent economic downturn as well as the revised fee due to contract renewal. Our project to increase capacity by installing a new commercial telecom system at 31 of our stations is well underway with 26 stations completed as at 31 December 2020. Some telecom operators had launched 5G services at 40 stations as at year-end.

Property Businesses

Property Rental and Management

HK$ million	Year ended 31 December **2020**	2019	Inc./(Dec.) %
Hong Kong Property Rental and Property Management Businesses			
Revenue from Property Rental	**4,817**	4,833	(0.3)
Revenue from Property Management	**237**	304	(22.0)
Total Revenue	**5,054**	5,137	(1.6)
EBITDA	**4,204**	4,286	(1.9)
EBIT	**4,185**	4,264	(1.9)
EBITDA Margin (in %)	**83.2%**	83.4%	(0.2)% pt.
EBIT Margin (in %)	**82.8%**	83.0%	(0.2)% pt.

Property rental revenue decreased by 0.3% year on year to HK$4,817 million in 2020. This was mainly due to relief measures provided to tenants during the pandemic, which were granted on a case-by-case basis with priority given to small to medium tenants. However, these concessions were partially offset by the incremental contribution from our newly opened and acquired shopping malls. In 2020, MTR shopping malls recorded a negative rental reversion of approximately 21% due to adverse retail sentiment. Our shopping malls (other than The LOHAS, which was opened in August 2020) and the Company's 18 floors in Two International Finance Centre had average occupancy rates of 99% and 98%, respectively.

As at 31 December 2020, the lease expiry profile of our shopping malls by area occupied was such that approximately 33% will expire in 2021, 30% in 2022, 20% in 2023 and 17% in 2024 and beyond.

In terms of trade mix as at 31 December 2020, food and beverage accounted for approximately 29% of the leased area of our shopping malls, followed by fashion, beauty and accessories 22%, services 22%, leisure and entertainment 17%, and department stores and supermarkets 10%.

Steep declines in tourist traffic and domestic spending negatively impacted our mall rental business, while work-from-home arrangements and the weak economic environment adversely affected our office tenants' business expansion plans and reduced their space requirements. We remained keenly attuned to the business difficulties faced by our mall tenants, particularly those operating in food and beverage and discretionary segments, collaborating with them on initiatives such as loyalty and redemption programmes to boost business. We helped e-commerce and online merchants open pop-up stores at our properties to help drive mall traffic. We are also considering widening the trade mix in our malls to further diversify our offerings.

During the year the Company held a number of marketing programmes across its commercial portfolio to drive sales. Many of these were conducted via MTR Mobile, which delivers news and offers related to shopping, dining and parking services at MTR Malls.

In August 2020, MTR opened Phase 1 of The LOHAS shopping mall to support the daily needs of residents. Phase 2 was opened in November 2020 with a cinema, a new retail pop-up zone, and a series of smart services and digital interactive motion zones. In 2020, the Company also acquired the remaining economic interests in Telford Plaza II and PopCorn 2 shopping centres and now holds 100% interest in both, alleviating the impact of COVID-19 and the economic downturn through increased rental income. Repartitioning work for the fourth and fifth levels of Telford Plaza II has been completed, and all shops are now open.

Property management revenue in Hong Kong decreased by 22.0% to HK$237 million compared to 2019.

Property Development and Tendering

Hong Kong property development profit for the year was HK$5,442 million, which was primarily derived from the surplus proceeds from LOHAS Park Package 6 and sales of inventory units.

Pre-sales activities of MTR properties have progressed well for The Pavilia Farm I and The Pavilia Farm II, both located at Tai Wai Station, with approximately 97% and 95%, respectively, of units sold as at 31 December 2020. Also as at 31 December 2020, approximately 70% of units at SEA TO SKY (LOHAS Park Package 8), and 97% of units at MARINI, GRAND MARINI and OCEAN MARINI (LOHAS Park Package 9) had been sold. Pre-sales for LP10 (LOHAS Park Package 10) commenced in January 2021.

West Rail property sales activities for Cullinan West III (Nam Cheong Station) and Sol City (Long Ping Station (South)), where we act as the agent for the Kowloon-Canton Railway Corporation, also continue. The application for pre-sale consent for Yuen Long Station property development (Phase 1) is in progress.

In February 2020, MTR awarded the tender for LOHAS Park Package 12 to a subsidiary of Wheelock and Company Limited. In October 2020, the Company awarded the tender for LOHAS Park Package 13 to a consortium formed by Sino Land Company Limited, Kerry Properties Limited, K. Wah International Holdings Limited and China Merchants Land Limited. In January 2021, the Company awarded the tender for The Southside Package 5 to a consortium formed by New World Development Company Limited, Empire Development Hong Kong (BVI) Limited, CSI Properties Limited and Lai Sun Development Company Limited. For the Ho Man Tin Station Package 1 property development project, a novation agreement has been reached between MTR Corporation Limited, Goldin Properties Holdings Limited and Great Eagle Group. The Company will work together with Great Eagle Group to bring this project to completion.

GROWING OUR HONG KONG BUSINESSES

MTR's "Hong Kong core" business pillar is supported by the "Rail Plus Property" model, which enables the Company, its shareholders and stakeholders to benefit from the city's growing transport links as well as their associated urban development. The year under review saw us continue to grow our Hong Kong business through projects that will potentially add 35 km to our network, including the Shatin to Central Link as well as the new projects under Government's RDS 2014.

Shatin to Central Link

The 17-km Shatin to Central Link, a Government project managed by MTR, is a vital infrastructure initiative that will greatly enhance the existing railway network and reduce travel times between major population centres in Hong Kong.

As at 31 December 2020, the Tai Wai to Hung Hom section of the Shatin to Central Link was 99.99% complete. Phase 1 of the Tuen Ma Line, which connects communities around Hin Keng, Diamond Hill and Kai Tak stations, opened in February 2020. The full opening of the Tuen Ma Line, which will connect Phase 1 with the West Rail Line via Sung Wong Toi, To Kwa Wan, Ho Man Tin and Hung Hom stations, is expected in the third quarter of 2021. Trial operations of the full Tuen Ma Line began in February 2021, marking a major milestone towards the commencement of passenger service.

As the existing East Rail Line will connect with the future Hung Hom to Admiralty section, its signalling system must be upgraded for compatibility with the extension. As reported earlier, the introduction of the new signalling system was put on hold in September 2020 and the system was finally commissioned in February 2021 following the satisfactory completion of all further testing and approvals from relevant Government departments. After reviewing the report of the investigation panel, the Company has established a dedicated "Shatin to Central Link Technical and Engineering Assurance Team" to monitor the project from both technical and service readiness perspectives, as well as to identify any important potential issues regarding the project's remaining works for timely reporting and follow-up. A new Service Reliability Report will also be introduced as part of Government's reviewing mechanism for the commissioning of new lines to ensure the timely reporting and handling of issues with potentially significant reliability impacts. The Company will also implement other recommendations made in the report of the investigation panel.

The Hung Hom to Admiralty section was 91.2% complete as at 31 December 2020. In July 2020, we completed track-laying works for the Hung Hom Station to Admiralty Station section, and a topping-out ceremony for Exhibition Centre Station was held in November 2020. Due to the major challenges encountered, the targeted opening date of the first quarter of 2022 is significantly at risk. The Company is working to the best of its ability to open the line at the earliest opportunity.

On 12 May 2020, Government released the Final Report of the COI into the Construction Works at and near the Hung Hom Station Extension under the Shatin to Central Link. According to the COI report, the relevant structures at and near the Hung Hom Station Extension are safe and fit for purpose with the completion of suitable measures. These measures were completed in mid-2020, followed by service reinstatement at Hung Hom Station. Separately, the Expert Advisor Team report also concluded that it is safe in practical terms to use the related built structures at Hung Hom Station for their intended purposes after the implementation of suitable measures.

The Group has made a provision of HK$1.4 billion for the estimated additional cost to the Company of continuing to comply with its project management responsibilities in its consolidated profit and loss account for the year ended 31 December 2020. Further details can be found in the section headed "9B Shatin to Central Link ("SCL") Project" of this Announcement.

Other New Railway Projects

Working under the RDS 2014 framework for the future development of Hong Kong's railway network, we were invited by Government in April, May and December 2020 to proceed with the detailed planning and design of the Tung Chung Line Extension, Tuen Mun South Extension, and Kwu Tung Station and the Northern Link, respectively. We awarded the design consultancies for the Tung Chung Line Extension and Tuen Mun South Extension in June and October 2020, respectively, and have proceeded with ground investigation works and environmental impact assessments. Procurement of the design consultancies for Kwu Tung Station and the Northern Link has commenced.

In May 2020, we submitted a proposal to Government for the Hung Shui Kiu Station project, and we continue to provide further information and details to Government. We also submitted a project proposal for the South Island Line (West) in December 2020. We are currently working alongside Government to address technical challenges on the East Kowloon Line and North Island Line projects.

Expanding the Property Portfolio

Investment Properties

Our shopping centres in Tai Wai and Wong Chuk Hang (now named "The Southside") are expected to open in 2023. These two new malls will add 107,620 square metres to the attributable GFA of our existing retail portfolio as at 31 December 2020, representing an increase of approximately 30%.

Residential Property Development

Our 17 new residential property projects under development are expected to deliver over 23,000 units to the market in the coming five years, supporting Government's efforts to increase housing supply.

We have been invited by Government to proceed with the technical studies on the Siu Ho Wan Depot site topside development, which will provide about 20,000 residential units in the medium to long term, about half of which will be Subsidised Sale Flats. The development will also provide community facilities and a 30,000-square-metre shopping mall. The design and planning of advance works have commenced.

The draft Outline Zoning Plans for the Tung Chung Traction Substation site and Pak Shing Kok Ventilation Building site were gazetted in June 2020. Subject to completion of the rezoning process and the subsequent land grant for development, we will tender out these two sites in the next 12 months or so. Subject to our entering into a project agreement with Government, we will tender out Tung Chung East Station Package 1 in the next 12 months or so. Meanwhile, we are also exploring the development potential of sites along existing and future railway lines, including the Tung Chung Line Extension, Tuen Mun South Extension, Kwu Tung Station and Northern Link.

MAINLAND OF CHINA AND INTERNATIONAL BUSINESSES

MTR's Mainland of China and International businesses together represent one of the three strategic pillars of our Corporate Strategy. In 2020, it served a total of approximately 1.38 billion passengers in the Mainland of China, Macao, Europe and Australia through various subsidiaries and associates. While COVID-19 affected passenger numbers, patronage losses had varied impacts on our financial performance depending on the business models for different business contracts.

	Mainland of China and International Businesses								
	Mainland of China and Macao Railway, Property Rental and Property Management Businesses			International Railway Businesses			Total		
Year ended 31 December HK$' million	**2020**	2019	*Inc./ (Dec.) %*	**2020**	2019	*Inc./ (Dec.) %*	**2020**	2019	*Inc./ (Dec.) %*
RECURRENT BUSINESSES									
Subsidiaries									
Revenue	**1,836**	1,881	*(2.4)*	**19,592**	19,204	*2.0*	**21,428**	21,085	*1.6*
EBITDA	**224**	529	*(57.7)*	**309**	796	*(61.2)*	**533**	1,325	*(59.8)*
EBIT	**212**	517	*(59.0)*	**49**	572	*(91.4)*	**261**	1,089	*(76.0)*
EBIT (Net of Non-controlling Interests)	**212**	517	*(59.0)*	**61**	412	*(85.2)*	**273**	929	*(70.6)*
EBITDA Margin (in %)	**12.2%**	28.1%	*(15.9)% pts.*	**1.6%**	**4.1%**	*(2.5)% pts.*	**2.5%**	6.3%	*(3.8)% pts.*
EBIT Margin (in %)	**11.5%**	27.5%	*(16.0)% pts.*	**0.3%**	**3.0%**	*(2.7)% pts.*	**1.2%**	5.2%	*(4.0)% pts.*
Recurrent Business Profit/(Loss)	**174**	**472**	***(63.1)***	**(4)**	**200**	***n/m***	**170**	**672**	***(74.7)***
Associates and Joint Venture									
Share of EBIT	**844**	1,005	*(16.0)*	**63**	(403)	*n/m*	**907**	602	*50.7*
Share of Profit/(Loss)	**363**	**457**	***(20.6)***	**61**	**(403)**	***n/m***	**424**	**54**	***685.2***
EBIT of Subsidiaries (Net of Non-controlling Interests) and Share of EBIT of Associates and Joint Venture	**1,056**	1,522	*(30.6)*	**124**	9	*1,277.8*	**1,180**	1,531	*(22.9)*
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY									
- Arising from Recurrent Businesses (before Business Development Expenses)							**594**	**726**	***(18.2)***
- Business Development Expenses							**(183)**	(201)	*(9.0)*
- Arising from Recurrent Businesses (after Business Development Expenses)							**411**	**525**	***(21.7)***
- Arising from Mainland of China Property Development							**65**	49	*32.7*
- Arising from Underlying Businesses							**476**	**574**	***(17.1)***

n/m: not meaningful

In the Mainland of China and Macao, recurrent business profit from our railway, property rental and property management subsidiaries decreased by 63.1% to HK$174 million in 2020. This was mainly due to COVID-19's impact on fare revenue from Shenzhen Metro Line 4 ("SZL4") as well as rental concessions granted to our shopping mall tenants.

In our International businesses, recurrent business loss from our railway subsidiaries was HK$4 million for the year compared to the recurrent business profit of HK$200 million in 2019. This was mainly due to lower farebox revenue from Metro Trains Melbourne Pty Ltd and MTRX (formerly known as MTR Express) due to COVID-19 and an initial operating loss by our O&M business at Sydney Metro North West. These impacts were partially offset by much-improved operating performance from Stockholms pendeltåg.

Our share of profits from our associates and joint venture increased to HK$424 million in 2020 from HK$54 million in the previous year. This was mainly due to the one-off onerous contract provision of HK$436 million made in 2019 for First MTR South Western Trains Limited, which was offset somewhat by the negative impact of COVID-19 in our Hangzhou and Beijing operations.

Excluding Mainland of China property development, our railway, property rental and management subsidiaries (after business development expenses), together with our associates and joint venture outside of Hong Kong, contributed a net after-tax profit of HK$411 million in 2020 on an attributable basis. This represented a decrease of 21.7% compared with 2019.

Railway Businesses in the Mainland of China

Beijing

In Beijing, our associate operates Beijing Metro Line 4 ("BJL4"), the Daxing Line, the first three phases of Beijing Metro Line 14 ("BJL14"), and the Northern and Middle sections of Beijing Metro Line 16 ("BJL16"). COVID-19 impacted patronage of all lines during the year.

Construction of the full BJL14 and BJL16 continued during the year. BJL16 Middle Section opened in December 2020. BJL14 full line and first phase of Beijing Metro Line 17 are scheduled to open in late 2021. BJL16 full line is expected to open in late 2022 at the earliest.

Shenzhen

SZL4, operated by our wholly owned subsidiary, saw a decline in patronage in 2020 due to COVID-19. There has been no increase in fares at SZL4 since we began operating the line in 2010. In July 2020, the Shenzhen Municipal Government publicised a fare adjustment framework for the Shenzhen Metro network that will take effect on 1 January 2021 for five years. This framework is expected to enable the establishment of a fare-setting mechanism and the procedures for fare adjustment. However, if a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

The Company signed the O&M agreement for the SZL4 North Extension on 23 October 2020, and the extension formally opened on 28 October 2020.

Hangzhou

Our businesses in Hangzhou include Hangzhou Metro Line 1 ("HZL1"), the HZL1 Xiasha Extension and HZL5. HZL1 Phase 3 (Airport Extension) formally opened at the end of December 2020. The full HZL5 commenced operation in April 2020.

Property Business in the Mainland of China

At the Tiara - the residential development at Shenzhen Metro Longhua Line Depot Site Lot 1 - more than 98% of units have been sold and handed over to buyers.

COVID-19 negatively impacted the occupancy rates and patronage of Ginza Mall in Beijing and TIA Mall in Shenzhen. The Company granted rental concessions to eligible tenants to help them withstand the impact of business disruption caused by the pandemic.

In Tianjin, project completion for the Beiyunhe Station shopping centre development has been delayed to 2024 as additional works are required for railway safety assurance during basement construction.

Macao Railway Business

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line, which opened in December 2019. We also provide project management and technical support to other light rail lines and extensions in the city.

European Railway Business

<u>United Kingdom</u>

In London, our wholly owned subsidiary operates the Crossrail operating concession under the TfL Rail brand. MTR continues to support the phased opening of TfL Rail, which will be renamed Elizabeth Line upon the opening of the Central Operating Section. Although ridership has fallen, TfL Rail services have managed to minimise the risks presented by COVID–19. Our financial interest is reasonably protected as this concession has no fare revenue risks.

Our associate operates the South Western Railway ("SWR") franchise, one of the largest rail networks in the UK. Services for the SWR were also reduced during lockdown as a result of COVID-19. SWR was transitioned into the Emergency Recovery Measures Agreement in September 2020 for a period spanning to May 2021.

<u>Sweden</u>

MTR is the largest rail operator in Sweden by passenger volume. It operates three rail businesses via wholly owned subsidiaries: Stockholm Metro (Stockholms tunnelbana), MTRX and the Stockholm commuter rail service (Stockholms pendeltåg).

During the pandemic, Stockholm Metro continued to run a full service with strong operational performance. MTRX has been operating a reduced service since March 2020 due to travel restrictions and decreased demand. Stockholms pendeltåg continued to run a full service while recording high punctuality.

Australia Railway Business

Patronage for the Melbourne metropolitan rail network decreased sharply in 2020 amid the COVID-19 outbreak. Our subsidiary reached an agreement with the State government in May 2020 on financial support to ease the effects of the pandemic.

Sydney Metro North West continued to run a full service in 2020. Although patronage was affected by COVID-19, there is no fare revenue risk according to the terms of this franchise. Service performance continued to improve throughout the year. The Sydney Metro City & Southwest project continued to move forward with milestones achieved as planned despite some restrictions on the flows of people and materials between countries as a result of COVID-19.

Growth Outside of Hong Kong

In Shenzhen, the consortium led by our wholly owned subsidiary was awarded the tender for the Shenzhen Metro Line 13 PPP project, which covers investment, construction and O&M for a period of 30 years following anticipated completion in 2023. The formal PPP contract was signed on 30 October 2020. In Chengdu, the Company set up a new company with Chengdu Rail Transit Group to explore and develop station commercial and related businesses in the city. In Hangzhou, our rolling stock maintenance company with the CRRC Hangzhou Digital Technology Co., Ltd consortium won the contracts for the rolling stock fleet overhaul for certain lines in Hangzhou and Shenzhen.

Discussions are on-going regarding potential cooperation opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area to build transport infrastructure as well as property and community projects. The Company has been involved as the Transit Oriented Development ("TOD") advisor of Dongguan Binhaiwan New Area Government for the conceptual planning of the High Speed Rail Binhaiwan Station TOD. We are also exploring opportunities for rail-related projects in other Greater Bay Area cities. Leveraging our experience, we will continue to play an active role in the integrated development and TOD of the Greater Bay Area.

In March 2021, we jointly secured the land use right for a TOD site in the south of Hangzhou West Station together with our partners. This project is a mixed-use property development comprising serviced apartment, office, retail and hotel components and has a total developable GFA of approximately 688,210 square metres. The Company has a 10% interest in the project with an equity investment of RMB350 million.

In Sweden, our subsidiary was awarded the O&M concession for the Mälartåg train service in December 2020. Our subsidiary will start running this service in December 2021 for an eight-year operating period with a one-year extension option. Currently, there are legal challenges from other bidders against the tender process.

FINANCIAL REVIEW

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

Profit and Loss

HK$ million	Year ended 31 December 2020	2019	Inc./(Dec.) HK$ million	%
Total Revenue	**42,541**	54,504	(11,963)	(21.9)
Recurrent Business (Loss) / Profit [ζ]				
EBIT				
Hong Kong Transport Operations	**(5,408)**	(591)	(4,817)	(815.1)
Hong Kong Station Commercial Businesses	**2,502**	5,122	(2,620)	(51.2)
Hong Kong Property Rental and Management Businesses	**4,185**	4,264	(79)	(1.9)
Mainland of China and International Railway, Property Rental and Management Subsidiaries	**261**	1,089	(828)	(76.0)
Other Businesses, Project Study and Business Development Expenses	**(1,949)**	(2,353)	404	17.2
Share of Profit of Associates and Joint Venture	**605**	288	317	110.1
Total Recurrent EBIT	**196**	7,819	(7,623)	(97.5)
Interest and Finance Charges	**(1,097)**	(939)	158	16.8
Income Tax	**(237)**	(1,740)	(1,503)	(86.4)
Non-controlling Interests	**12**	(160)	(172)	n/m
Recurrent Business (Loss) / Profit	**(1,126)**	**4,980**	**(6,106)**	**n/m**
Property Development Profit (Post-tax)				
Hong Kong	**5,442**	5,531	(89)	(1.6)
Mainland of China	**65**	49	16	32.7
Property Development Profit (Post-tax)	**5,507**	**5,580**	**(73)**	**(1.3)**
Underlying Business Profit [ε]	**4,381**	**10,560**	**(6,179)**	**(58.5)**
Investment Property Revaluation (Loss) / Gain	**(9,190)**	1,372	(10,562)	n/m
Net (Loss) / Profit Attributable to Shareholders of the Company	**(4,809)**	**11,932**	**(16,741)**	**n/m**

ζ : *Recurrent business (loss) / profit represents (loss) / profit from the Group's Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, Mainland of China and international railway, property rental and management businesses and other businesses.*

ε : *Underlying business profit represents (loss) / profit from the Group's recurrent businesses and property development businesses.*

n/m : *not meaningful*

Total Revenue

The adverse impact of the on-going COVID-19 pandemic and the deterioration of the general economic environment on the Group's businesses has been unprecedented. Total revenue of the Group in 2020 was HK$42,541 million, decreased by 21.9% when compared to 2019, mainly due to the adverse impact of the COVID-19 pandemic on fare revenue of our Hong Kong transport operations ("HKTO"), as well as decrease in rental revenue of our Hong Kong station commercial businesses ("HKSC").

Recurrent Business Loss

Various measures implemented by governmental authorities in Hong Kong and globally to address the COVID-19 pandemic have resulted in a significant reduction in domestic and international travel demand and consumer spending. Furthermore, prolonged closures of major passenger boundary crossings between Hong Kong SAR and the Mainland of China have further adversely impacted the Group's recurrent businesses. As a result, the Group reported a loss of HK$1,126 million in its recurrent businesses in 2020, as compared with a profit of HK$4,980 million in 2019.

EBIT

EBIT of HKTO decreased drastically by HK$4,817 million resulting in a loss of HK$5,408 million, mainly due to substantial reduction of 31.5% in total patronage resulting from the COVID-19 pandemic and related governmental measures such as the closure of several boundary crossings between Hong Kong SAR and the Mainland of China (including the crossings at Lo Wu, Lok Ma Chau and Hong Kong West Kowloon stations, as well as the Intercity through train control point at Hung Hom Station), social distancing, work-from-home arrangements, school closures, entry immigration controls and quarantine measures.

EBIT of the HKSC decreased by 51.2% to HK$2,502 million, mainly due to profit and loss impact of rental concessions granted to duty free shop concession holders and other station kiosks as a result of the closure of several boundary crossings between Hong Kong SAR and the Mainland of China, as well as retail tenants of station kiosks in domestic lines whose businesses have been adversely affected by reduced footfall in stations, and coupled with the significant drop in our advertising revenue.

EBIT of the Hong Kong property rental and management businesses slightly decreased by 1.9% to HK$4,185 million, mainly due to profit and loss impact of rental concessions granted to retail mall tenants, but mostly offset by profit contribution from our new shopping mall, The LOHAS, opened by phases in August and November 2020 and the remaining economic interests of Telford Plaza II and PopCorn 2 acquired in March 2020.

EBIT of our Mainland of China and international railway, property rental and management business subsidiaries have also been adversely affected but to varying degrees (with Melbourne Train being affected the most) due to the severity of COVID-19 pandemic and related governmental measures in different cities we operate, resulting in a decrease in EBIT by 76.0% to HK$261 million.

EBIT of other businesses, project study and business development expenses reported a loss of HK$1,949 million in 2020 (2019: a loss of HK$2,353 million). The loss in 2020 was mainly due to a provision of HK$1.4 billion made in respect of the additional project management cost of the Shatin to Central Link ("SCL") project in Hong Kong and the loss incurred by Ngong Ping 360 due to service suspension as a result of the COVID-19 pandemic. On the other hand, the loss in 2019 was mainly due to a provision of HK$2 billion made in respect of the Hung Hom Incidents of the SCL project.

Share of Profit of Associates and Joint Venture

Share of profit of associates and joint venture was HK$605 million in 2020, compared to a profit of HK$288 million in 2019 which included a provision of onerous contract of HK$436 million made in respect of the South Western Railway franchise agreement in the United Kingdom. If the provision in 2019 had been excluded, the share of profit in 2020 would have decreased by HK$119 million or 16.4% when compared with 2019, mainly due to the adverse financial impact of COVID-19 pandemic on our associate in Hangzhou as well as Octopus Holdings Limited in

Hong Kong, partly offset by the incremental profit contribution from our joint venture of HZL5 with full line operation since April 2020.

Property Development Profit (Post-tax)

Property development profit (post-tax) slightly decreased from HK$5,580 million in 2019 to HK$5,507 million in 2020, which was mainly derived from the share of surplus proceeds of LP6 (LOHAS Park Package 6) as well as sales of inventory units.

Investment Property Revaluation Loss

Revaluation of the Group's investment properties in Hong Kong and Mainland of China, which was performed by independent professional valuation firms, resulted in a revaluation loss of HK$9,190 million in 2020, compared to a revaluation gain of HK$1,372 million in 2019. The revaluation loss, being a non-cash item, mainly reflected the decrease in reversionary rent as a result of the COVID-19 and the deterioration of general economic environment.

Net Loss Attributable to Shareholders of the Company

Taking into account the Group's recurrent businesses, property development businesses and investment property revaluation, the Group reported a net loss attributable to shareholders of the Company of HK$4,809 million in 2020, compared to a net profit of HK$11,932 million in 2019.

Financial Position

HK$ million	**As at 31 December 2020**	As at 31 December 2019	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Net Assets	**176,981**	186,798	(9,817)	(5.3)
Total Assets	**290,574**	289,214	1,360	0.5
Total Liabilities	**113,593**	102,416	11,177	10.9
Gross Debt^	**50,340**	39,456	10,884	27.6
Net Debt-to-equity Ratio $^{\delta}$	**22.5%**	15.4%		7.1% pts

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

δ : *Net debt-to-equity ratio represents net debt of HK$39,887 million (2019: HK$28,764 million), which comprises loans and other obligations, short-term loans, obligations under service concession and loan from holders of non-controlling interests net of cash, bank balances and deposit in the consolidated statement of financial position, as a percentage of the total equity of HK$176,981 million (2019: HK$186,798 million).*

Net Assets

Our financial position remains strong. The Group's net assets decreased by 5.3% from HK$186,798 million as at 31 December 2019 to HK$176,981 million as at 31 December 2020 mainly reflecting the revaluation loss of the Group's investment property portfolio.

Total Assets

Total assets increased slightly by 0.5% from HK$289,214 million to HK$290,574 million. This was mainly due to a combination of:

- increase in amounts due from related parties;
- increase in debtors and other receivables mainly due to: (i) the portion of rental concession granted yet to be amortised to the profit and loss account, and (ii) increase in property development receivables upon the recognition of the property development profit of LP6;
- increase in service concession assets in respect of KCRC systems; and partly offset by

- net decrease in investment properties as a result of the revaluation loss on our existing portfolio being partially offset by our acquisition of remaining 50% economic interests of Telford Plaza II and 30% in Popcorn 2.

Total Liabilities

Total liabilities increased by 10.9% from HK$102,416 million to HK$113,593 million. This was mainly due to a combination of:

- issuance of 10-year US$1.2 billion green bond, and net drawdown of loans and issuance of other bonds / notes;
- increase in creditors, other payables and provisions mainly due to: (i) advance cash received from property development packages, and (ii) provision of HK$1,371 million made in respect of SCL project management cost; and partly offset by
- decrease in amounts due to related parties due to lower variable annual payment as a result of revenue decrease during the year.

Gross Debt and Cost of Borrowing

Gross debt of the Group (being loans and other obligations, bank overdrafts and short-term loans) increased by 27.6% to HK$50,340 million as at 31 December 2020. Weighted average borrowing cost of the Group's interest-bearing borrowings was at 2.3% p.a., compared to 2.8% p.a. in 2019.

Net Debt-to-equity Ratio

Net debt-to-equity ratio increased by 7.1% points to 22.5% as at 31 December 2020 from 15.4% as at 31 December 2019 due to (i) increase in borrowings to fund the acquisition of the remaining economic interests in Telford Plaza II and PopCorn 2, capital expenditure for our Hong Kong railways and related operations as well as the net cash used in operating activities, and (ii) decrease in equity mainly due to the revaluation loss on the Group's investment property portfolio recognised.

Cash Flow

	Year ended 31 December	
HK$ million	**2020**	2019
Net Cash (Used in) / Generated from Operating Activities after Fixed and Variable Annual Payments	**(2,561)**	13,988
Net Receipts from Property Development	**8,171**	5,916
Other Net Cash Outflow from Investing Activities	**(9,326)**	(7,490)
Net Borrowing / (Repayment) of Debts, Net of Lease Rental and Interest Payments	**9,661**	(2,362)
Dividends Paid to Shareholders of the Company	**(6,808)**	(6,649)
(Decrease) / Increase in Cash, Bank Balances and Deposits#	**(872)**	**3,286**

: *Excluding effect of exchange rate change*

Net Cash (Used in) / Generated from Operating Activities after Fixed and Variable Annual Payments

Net cash used in operating activities after fixed and variable annual payments for Hong Kong railway and related operations was HK$2,561 million, compared to net cash generated of HK$13,988 million in 2019, mainly due to decrease in operating profit resulting from the adverse impact of the COVID-19.

Net Receipts from Property Development

Net receipts from property development were HK$8,171 million, comprising mainly cash receipts from LOHAS Park packages.

Other Net Cash Outflow from Investing Activities

Other net cash outflow from investing activities was HK$9,326 million, which mainly included capital expenditure of HK$9,249 million (comprising HK$5,226 million for investments in additional assets for Hong Kong existing railways and related operations, HK$3,539 million for Hong Kong investment properties, HK$250 million for Hong Kong railway extension projects and HK$234 million for the Mainland of China and overseas subsidiaries).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Despite the challenges of the past year, MTR continued to implement ESG initiatives that contributed to the safety, environmental protection, health and wellbeing of the city it calls home. We also strove to ensure inclusion with services that are accessible to all, regardless of age or ability.

As one of the leading railway operators in the world, one of our chief concerns is providing convenient, efficient transport in an environmentally sound manner. In August 2020, we were proud to issue a new US$1.2 billion 10-year Green Bond, the largest single-tranche green bond for corporates in Asia-Pacific, to fund railway-related conservation and energy efficiency projects. During the year we also embarked upon a consultancy study that will help us develop a long-term roadmap for reducing greenhouse gas emissions; we aim to launch a comprehensive programme by 2021. We also published our Climate Change Strategy outlining our three-pronged approach to addressing this critical issue.

To ensure that MTR safeguards the best interests of its shareholders and stakeholders, the Company strives to maintain the very highest standards of corporate governance across all its businesses. Robust structures, mechanisms and management practices are in place to ensure responsible, ethical decision-making and transparency.

Safety

As a major Hong Kong transport and property conglomerate, MTR places the highest priority on the health and safety of its customers, staff and visitors. Each year we seek to make improvements and enhancements wherever possible to ensure that we are upholding industry-leading safety standards, all in accordance with our comprehensive Corporate Safety Policy and best practices.

The year under review presented considerable challenges, from the public order events that carried over from 2019 to the rapid spread of COVID-19 from early 2020 onward. Demonstrating our emphasis on health and safety as well as our keen focus on employing the latest innovations and technologies, we employed vaporised hydrogen peroxide robots to deep-clean our trains and stations. We also applied a special coating on various points of frequent passenger contact to eliminate bacteria and viruses.

To give our passengers added convenience and peace of mind, we made PPE such as face masks and hand sanitiser easily accessible by installing PPE vending machines at 14 stations. To help ensure a reliable supply of quality face masks, MTR launched a production line at an ISO-certified cleanroom at Siu Ho Wan Depot that can produce more than 300,000 masks per month. During the year under review we also optimised our station and train ventilation, filter cleaning and replacement processes in our trains, stations and shopping malls. We also placed vending machines at 20 stations for the public to conveniently pick up free COVID-19 specimen collection packs.

The number of reportable events on our heavy rail and light rail networks decreased by 45% compared to 2019. The number of reportable events per million passengers carried on our heavy rail and light rail networks continued to improve, falling to 0.58 in 2020.

Enterprise Risk Management

Perhaps no year has underscored the importance of risk management more than 2020. To cope with unprecedented challenges, MTR's business units have followed the Company's Enterprise Risk Management framework in their day-to-day operations to ensure business continuity, health and safety. The Company's risk profile, top risks and key emerging risks are regularly reviewed by Executives and the Risk Committee and reported to the Board on a half-yearly basis. "Deep dive" reviews on selected key risk areas are conducted during the year, and risk mitigation measures are formulated or adjusted as necessary to ensure effective risk management.

COVID-19 remains a significant risk to MTR and its business operations and is likely to remain so well into 2021. In 2020, we introduced a host of initiatives to deal with the effects of the pandemic and get our operations back on track as effectively and efficiently as we can. Moving forward, we remain committed to staying abreast of the latest developments in order to control risks associated with the pandemic as much as possible and safeguard the wellbeing of our businesses and stakeholders.

HUMAN RESOURCES

As at 31 December 2020, MTR along with our subsidiaries employed 17,288 people in Hong Kong and 16,921 people outside Hong Kong. Our associates employed an additional 17,121 people worldwide.

Our staff are our most valuable asset, and their dedication is key to MTR's success. We provide competitive pay and benefits, short- and long-term incentive schemes, and a broad range of career development opportunities under the total reward framework to attract, retain and motivate our staff. We also recognise and reward our staff through a robust performance-based pay review mechanism as well as a variety of staff motivational schemes and awards. Our staff engagement efforts are reflected in our stable workforce, with the voluntary staff turnover rate in Hong Kong staying low at 3.4% in 2020. We provided an average of 4.8 training days per staff in Hong Kong during the year.

Amid the unprecedented challenges of COVID-19 and the weakened macro economy, our top priority is to ensure the health and safety of our staff, protect their jobs and ensure business sustainability. To safeguard our staff against the pandemic, we enhanced protective measures, initiated appropriate flexible work arrangements and organised programmes to enhance their total wellbeing. We have taken a prudent recruitment approach since early January 2020 to meet our operational needs while containing costs.

MTR ACADEMY

Despite the challenges of operating during a pandemic, the MTR Academy was still able to deliver its programmes and expertise to railway professionals and global clients from the Mainland of China, Belt and Road countries and elsewhere via online learning and virtual examinations. In September 2020, the MTR Academy also began offering full-time diploma programmes.

OUTLOOK

COVID-19 is a global phenomenon that will have long-lasting impacts. In 2020, it posed unprecedented challenges to our business and operations and adversely affected the financial performance of the Group.

At the time of writing, travel restrictions, quarantine mandates, mask-wearing orders and social distancing guidelines are still in place to varying degrees as everyone works together to contain and eliminate the spread of COVID-19. Although vaccines have started to be administered around the world, it remains unclear how the current situation will develop over the coming months. The speed and magnitude of a global economic recovery remains highly dependent on the progress made in combatting the pandemic as well as the fiscal and monetary policies of various governments.

In 2020, COVID-19 substantially impacted the financial performance of our recurrent businesses. Patronage suffered a large drop, and shopping malls, duty free shops, station kiosks and advertising were all badly affected. The pandemic also resulted in a lower revaluation of our investment property portfolio. Such effects may continue well into 2021 as a return to normalcy for our patronage, particularly among tourist customers, will not be immediate and could potentially take longer than a year. Our station commercial and shopping mall businesses will continue to face challenges in rentals following the aftermath of last year's negative rental reversions as well as in the accounting standard requirement to spread last year's rental rebates into 2021 and beyond. Our duty free business will depend completely on the timing of the re-opening of borders and the recovery of border patronage while advertising income will be dependent on economic recovery and consumer spending. The impact of COVID-19 on the asset valuation of our investment property portfolio may continue until market conditions are stabilised.

While the near term remains challenging, we have reasons to be optimistic about our medium-to long-term future. Despite the fact that our businesses suffered to varying degrees in 2020, the Company is in a solid financial position, and we continue to drive a number of projects and developments that offer strong potential.

Subject to market conditions and necessary Government approvals, we aim to tender out The Southside (also known as "Wong Chuk Hang Station Property Development") Package 6, Tung Chung Traction Substation site, Pak Shing Kok Ventilation Building site and Tung Chung East Station Package 1 (subject to our entering into a project agreement with Government) in the next 12 months or so. These packages are expected to provide about 4,800 residential units in total. Applications for pre-sale consent for The Southside Package 1 and Package 2 property development projects and The Pavilia Farm III are in progress. Depending on construction progress, we target to book development profits from Packages 7, 8 and 9 of LOHAS Park in 2021.

We look forward to the Tuen Ma Line full line opening, expected to be in the third quarter of 2021. Working under Government's RDS 2014 development framework for expanding Hong Kong's railway network, we will continue to progress the design of the Tung Chung Line Extension and Tuen Mun South Extension, and we will commence the detailed planning and design of Kwu Tung Station and the Northern Link.

We will conduct the detailed design for the Siu Ho Wan Depot site and its adjacent station, and we will explore potential sites for residential and commercial property development along existing and future railway lines.

To maintain world-class service for customers and keep cities moving, we must continue to operate safely and efficiently in the "new normal". Our new Corporate Strategy – guided by strong ESG principles to ensure sustainable and profitable operations for years to come – will play a key role in our progress moving forward. The new strategy seeks to enhance our business and profit growth in each of the three pillars: (i) attaining the full potential of our world-class service performance, cost optimisation and new revenue-generating initiatives in our Hong Kong core businesses; (ii) leveraging our competitive strengths to maintain steady growth through new products and new markets, particularly in the Mainland of China and also in our international businesses; and (iii) embracing new technologies as enablers for our existing operations and as new engines to strengthen our long-term growth.

I would like to thank Dr Peter Ewen, who retired from the Company as Engineering Director on 22 February 2021, for his contributions during his time at MTR.

In closing, I cannot emphasise enough how grateful I am for our exceptional staff, who have continued to deliver world-class service in very challenging conditions over the years, particularly in 2020. Difficult times still lie ahead, but I believe that as we keep working together to fulfil the goals set in our Corporate Strategy, our Company – and Hong Kong – will emerge from them even stronger.

By Order of the Board
Dr Jacob Kam Chak-pui
Chief Executive Officer

Hong Kong, 11 March 2021

CLOSURE OF REGISTER OF MEMBERS

Annual General Meeting 2021

The Register of Members of the Company will be closed from 20 May 2021 to 26 May 2021 (both dates inclusive), during which time no transfers of shares in the Company will be effected. To be eligible to attend, speak and vote at the Company's Annual General Meeting to be held on 26 May 2021, all completed transfer documents, accompanied by the relevant share certificates have to be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 18 May 2021 (Hong Kong time).

2020 Final Dividend

The Register of Members of the Company will be closed from 1 June 2021 to 4 June 2021 (both dates inclusive), during which time no transfers of shares in the Company will be effected. To qualify for the proposed 2020 final dividend, all completed transfer documents, accompanied by the relevant share certificates have to be lodged with the Company's Share Registrar, at the address mentioned in the preceding paragraph, no later than 4:30 p.m. on 31 May 2021 (Hong Kong time). The proposed 2020 final dividend, with a scrip dividend option (except for shareholders with registered addresses in New Zealand or the United States of America or any of its territories or possessions), is expected to be distributed on 20 July 2021 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 4 June 2021.

As at the date of this announcement:

Members of the Board: Dr Rex Auyeung Pak-kuen *(Chairman)* **, Dr Jacob Kam Chak-pui *(Chief Executive Officer)*, Andrew Clifford Winawer Brandler*, Dr Bunny Chan Chung-bun*, 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*, Johannes Zhou Yuan*, Christopher Hui Ching-yu (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 (Rosanna Law Shuk-pui)**

Members of the Executive Directorate: Dr Jacob Kam Chak-pui, Adi Lau Tin-shing, Roger Francis Bayliss, Margaret Cheng Wai-ching, Linda Choy Siu-min, Herbert Hui Leung-wah, Dr Tony Lee Kar-yun, Gillian Elizabeth Meller, 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.