

# REPORT OF THE MEMBERS OF THE BOARD

The Members of the Board have pleasure in submitting their Report and the audited statement of Consolidated Accounts for the financial year ended 31 December 2018.

## PRINCIPAL ACTIVITIES OF THE GROUP

The Group is principally engaged in the following core businesses - railway design, construction, operation, maintenance and investment in Hong Kong, Macau, the Mainland of China and a number of overseas cities; project management in relation to railway and property development businesses in Hong Kong and the Mainland of China; station commercial business including leasing of station retail space, leasing of advertising space inside trains and stations and enabling of telecommunication services on the railway system in Hong Kong; property business including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and the Mainland of China; investment in Octopus Holdings Limited; and provision of railway management, engineering and technology training.

The principal businesses of the Company's subsidiaries and associates as at 31 December 2018 are set out in notes 26 and 27 to the Consolidated Accounts.

## BUSINESS REVIEW

The Company has always been committed to providing comprehensive reviews of the Group's business and performance in different sections of its Annual Reports. A summary of the relevant sections in the Company's Annual Report 2018 covering the required disclosures under the Companies Ordinance is set out below for ease of reference.

Required Disclosures	Relevant Sections
(1) A fair review of the Group's business and a discussion and an analysis of the Group's performance during the year ended 31 December 2018	<ul style="list-style-type: none"> <li>Chairman's Letter (pages 12 to 17)</li> <li>CEO's Review of Operations and Outlook (pages 18 to 38)</li> <li>Business Review (pages 40 to 89)</li> <li>Financial Review (pages 90 to 101)</li> </ul>
(2) Particulars of important events affecting the Group that have occurred since the end of the financial year 2018	<ul style="list-style-type: none"> <li>Chairman's Letter (pages 12 to 17)</li> <li>CEO's Review of Operations and Outlook (pages 18 to 38)</li> <li>Business Review (pages 40 to 89)</li> </ul>
(3) Description of the significant risks and uncertainties facing the Group	<ul style="list-style-type: none"> <li>CEO's Review of Operations and Outlook (pages 18 to 38)</li> <li>Business Review (pages 40 to 89)</li> <li>Risk Management (pages 142 to 145)</li> </ul>
(4) Outlook for the Group's business	<ul style="list-style-type: none"> <li>Chairman's Letter (pages 12 to 17)</li> <li>CEO's Review of Operations and Outlook (pages 18 to 38)</li> <li>Business Review (pages 40 to 89)</li> </ul>
(5) Details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group	<ul style="list-style-type: none"> <li>Corporate Governance Report (pages 117 to 138)</li> </ul>
(6) Description of the Group's relationships with its key stakeholders and the Group's environmental policies and performance	<ul style="list-style-type: none"> <li>Chairman's Letter (pages 12 to 17)</li> <li>CEO's Review of Operations and Outlook (pages 18 to 38)</li> <li>Business Review (pages 40 to 89)</li> <li>Investor Relations (pages 104 to 105)</li> <li>Corporate Responsibility (pages 106 to 111)</li> <li>Human Resources (pages 112 to 115)</li> <li>Corporate Governance Report (pages 117 to 138)</li> <li>Company's 2018 Sustainability Report to be published in late May 2019</li> </ul>

### DIVIDENDS

The Board has recommended to pay a final dividend of HK\$0.95 per share (2017: HK\$0.87 per share) and proposes that a scrip dividend option will be offered to all shareholders except for shareholders 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 forthcoming annual general meeting (“AGM”), the proposed 2018 final dividend, with a scrip dividend option, is expected to be distributed on 16 July 2019 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 31 May 2019.

### ACCOUNTS

The financial position of the Group as at 31 December 2018 and the Group’s financial performance and cash flows for the year are set out in the Consolidated Accounts on pages 211 to 306.

### TEN-YEAR STATISTICS

A summary of the results and of the assets and liabilities of the Group together with some major operational statistics for the last ten years are set out on pages 102 to 103.

### MEMBERS OF THE BOARD

Members of the Board during the year and up to the date of this Report (unless otherwise stated) were:

Name	First Elected at AGM	Last Re-elected at AGM	To be elected / re-elected at 2019 AGM
<b>Non-Executive Directors</b>			
Professor Frederick Ma Si-hang <sup>1</sup> (Chairman)	2014	2017	
Rex Auyeung Pak-kuen <sup>2</sup> (Since 7 March 2019)			☑
James Henry Lau Jr (Secretary for Financial Services and the Treasury)	2018		
Secretary for Transport and Housing (Frank Chan Fan)			Not subject to retirement by rotation*
Permanent Secretary for Development (Works) (Lam Sai-hung (since 13 October 2018) and Hon Chi-keung (up to 12 October 2018))			Not subject to retirement by rotation*
Commissioner for Transport (Mable Chan)			Not subject to retirement by rotation*
<b>Independent Non-Executive Directors</b>			
Andrew Clifford Winawer Brandler	2017		
Dr Pamela Chan Wong Shui	2014	2017	
Dr Dorothy Chan Yuen Tak-fai	2014	2017	
Vincent Cheng Hoi-chuen <sup>3</sup>	2010	2016	
Dr Anthony Chow Wing-kin	2016		☑
Dr Eddy Fong Ching	2015	2018	
James Kwan Yuk-choi	2015	2018	

## MEMBERS OF THE BOARD (CONTINUED)

Name	First Elected at AGM	Last Re-elected at AGM	To be elected / re-elected at 2019 AGM
Lau Ping-cheung, Kaizer <sup>3</sup>	2016		
Lee Wai-mun, Rose (since 16 May 2018)	2018		
Lucia Li Li Ka-lai	2015	2018	
Alasdair George Morrison	Retired at 2018 AGM held on 16 May 2018		
Abraham Shek Lai-him <sup>4</sup>	2008	2017	
Benjamin Tang Kwok-bun	2015	2018	
Dr Allan Wong Chi-yun <sup>5</sup>	2016		✓
Johannes Zhou Yuan	2017		
<b>Executive Director</b>			
Lincoln Leong Kwok-kuen <sup>6</sup>	2015	2018	

- As previously announced, Professor Frederick Ma Si-hang has been re-appointed by the FSI as the Chairman of the Company for a term of six months from 1 January 2019 to 30 June 2019 (both dates inclusive).
  - On 7 March 2019, the Company announced that Mr Rex Auyeung Pak-kuen has been appointed as a Non-executive Director of the Company on the same day. Subject to his election as a Director at the Company's 2019 AGM, Mr Auyeung is appointed by the FSI as the Chairman of the Company with effect from 1 July 2019 until 31 December 2021 (both dates inclusive). Upon Mr Auyeung becoming the Chairman of the Company, he will also become chairman of the Corporate Responsibility Committee and a member of each of the Nominations Committee and the Remuneration Committee, of the Company.
  - Mr Vincent Cheng Hoi-chuen and Mr Lau Ping-cheung, Kaizer have informed the Company that they will not stand for re-election at the Company's 2019 AGM.
  - As previously announced, Mr Abraham Shek Lai-him had informed the Company that he would retire after the conclusion of the Company's 2019 AGM.
  - Dr Allan Wong Chi-yun has informed the Company that he will offer himself for re-election for a term until the conclusion of the Company's AGM in 2020.
  - As announced by the Company on 7 March 2019, Mr Lincoln Leong Kwok-kuen would retire as the Chief Executive Officer, and as a Member of the Board, the Corporate Responsibility Committee and the Executive Directorate, of the Company, all with effect from 1 April 2019.
- \* Pursuant to the Articles of Association, Directors appointed by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance are not required to retire by rotation.

In addition, resolutions for electing Mr Walter Chan Kar-lok, Mr Cheng Yan-kee and Mr Jimmy Ng Wing-ka as new Directors will be proposed at the 2019 AGM. Please refer to the Company's circular containing the Notice of 2019 AGM sent together with this Report.

Biographical details of Members of the Board are set out on pages 154 to 163.

## ALTERNATE DIRECTORS

The Alternate Directors in office during the year and up to the date of this Report (unless otherwise stated) were:

Name	Alternate to
Andrew Lai Chi-wah	James Henry Lau Jr
(i) Under Secretary for Transport and Housing (Dr Raymond So Wai-man)	Secretary for Transport and Housing
(ii) Permanent Secretary for Transport and Housing (Transport) (Joseph Lai Yee-tak)	
(iii) Deputy Secretaries for Transport and Housing (Transport) (Rebecca Pun Ting-ting and Kevin Choi)	
Deputy Secretary for Development (Works) <sup>2</sup> (Mak Shing-cheung)	Permanent Secretary for Development (Works)
Deputy Commissioner for Transport/Transport Services and Management (Macella Lee Sui-chun)	Commissioner for Transport

### EXECUTIVE DIRECTORATE

Members of the Executive Directorate during the year and up to the date of this Report (unless otherwise stated) were:

Name	Position Held
Lincoln Leong Kwok-kuen	Chief Executive Officer and a Member of the Board (up to 31 March 2019)
Dr Jacob Kam Chak-pui*	Managing Director – Operations and Mainland Business
Margaret Cheng Wai-ching	Human Resources Director
Morris Cheung Siu-wa	President of MTR Academy (up to 16 July 2018)
Dr Peter Ronald Ewen	Engineering Director
Herbert Hui Leung-wah	Finance Director
Adi Lau Tin-shing	Operations Director
Gillian Elizabeth Meller	Legal and European Business Director
Linda So Ka-pik	Corporate Affairs Director
David Tang Chi-fai	Property Director
Dr Philco Wong Nai-keung	Projects Director (up to 7 August 2018)
Jeny Yeung Mei-chun	Commercial Director

\* On 7 March 2019, the Company announced that Dr Jacob Kam Chak-pui has been appointed as the Chief Executive Officer, a Member of the Board, and a member of the Corporate Responsibility Committee, of the Company, all to take effect from 1 April 2019.

On 8 February 2019, the Company announced that Mr Roger Francis Bayliss has been appointed as Projects Director of the Company to take effect from 18 March 2019.

Biographical details of Members of the Executive Directorate are set out on pages 164 to 169.

### DIRECTORS OF SUBSIDIARY UNDERTAKINGS

The directors of the subsidiary undertakings of the Company during the year and up to the date of this Report (unless otherwise stated) are listed on page 204.

### DIRECTORS' SERVICE CONTRACTS

No Director proposed for election or re-election at the forthcoming AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for, in respect of Mr James Henry Lau Jr (Secretary for Financial Services and the Treasury), Secretary for Transport and Housing (Mr Frank Chan Fan), Permanent Secretary for Development (Works) (Mr Hon Chi-keung (up to 12 October 2018) and Mr Lam Sai-hung (since 13 October 2018)), and Commissioner for Transport (Ms Mable Chan), all of whom were officials of Government, those connected transactions and continuing connected transactions between the Company and Government (and/or its associates) which are described on pages 183 to 202, there was no transaction, arrangement or contract of significance in relation to the Group's business, to which the Company or any of its subsidiary undertakings was a party and in which a Member of the Board or a Member of the Executive Directorate or an entity connected with him/her had a material interest (whether direct or indirect), which was entered into during the year or subsisted at any time during the year.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, the interests or short positions of the Members of the Board and the Executive Directorate in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Members of the Board/ Alternate Directors/ Members of the Executive Directorate	No. of Ordinary Shares held				No. of Share Options <sup>#</sup>	No. of Award Shares <sup>#</sup>	Total interests	Percentage of aggregate interests to total no. of voting shares in issue <sup>Δ</sup>
	Personal interests*	Family interests <sup>†</sup>	Other interests	Corporate interests	Personal interests*	Personal interests*		
Professor Frederick Ma Si-hang	–	270,000 (Note 1)	270,000 (Note 1)	–	–	–	270,000	0.00440
Lincoln Leong Kwok-kuen (Note 2)	1,540,141	–	–	23,000 (Note 2)	–	457,468	2,020,609	0.03291
Dr Pamela Chan Wong Shui	9,072	1,675 (Note 3)	–	–	–	–	10,747	0.00018
Vincent Cheng Hoi-chuen	1,675	1,675 (Note 4)	–	–	–	–	3,350	0.00005
Lucia Li Li Ka-lai	–	1,614 (Note 5)	2,215 (Note 5)	–	–	–	3,829	0.00006
Mak Shing-cheung	558	8,058 (Note 6)	–	–	–	–	8,616	0.00014
Dr Raymond So Wai-man	–	1,675 (Note 7)	–	–	–	–	1,675	0.00003
Dr Jacob Kam Chak-pui	258,121	–	–	–	–	97,884	356,005	0.00580
Margaret Cheng Wai-ching	81,013	–	–	–	–	103,160	184,173	0.00300
Dr Peter Ronald Ewen	37,599	–	–	–	–	72,734	110,333	0.00180
Herbert Hui Leung-wah	32,861	2,233 (Note 8)	–	–	–	74,784	109,878	0.00179
Adi Lau Tin-shing	75,338	–	–	–	26,000	81,500	182,838	0.00298
Gillian Elizabeth Meller	89,282	–	–	–	–	83,068	172,350	0.00281
Linda So Ka-pik	56,235	–	–	–	–	80,318	136,553	0.00222
David Tang Chi-fai	172,693	–	–	–	–	84,784	257,477	0.00419
Jeny Yeung Mei-chun	646,786	–	–	–	–	85,884	732,670	0.01193

### Notes

- The 270,000 shares were indirectly held by The Ma Family Trust established by Professor Frederick Ma Si-hang for himself and his family of which his spouse was also a beneficiary.
- Mr Lincoln Leong Kwok-kuen will retire as the Chief Executive Officer, and as a Member of the Board, the Corporate Responsibility Committee and the Executive Directorate, of the Company, all with effect from 1 April 2019. The 23,000 shares were held by Linsan Investment Ltd., a private limited company beneficially wholly owned by Mr Leong.
- The 1,675 shares were held by Dr Pamela Chan Wong Shui's spouse.
- The 1,675 shares were held by Mr Vincent Cheng Hoi-chuen's spouse.
- The 1,614 shares were held by Mrs Lucia Li Li Ka-lai's spouse and the 2,215 shares were jointly held by Mrs Li and her spouse.
- The 8,058 shares were held by Mr Mak Shing-cheung's spouse.
- The 1,675 shares were held by Dr Raymond So Wai-man's spouse.
- The 2,233 shares were held by Mr Herbert Hui Leung-wah's spouse.

<sup>#</sup> Details of the Share Options and Award Shares are set out in the sections headed "2007 Share Option Scheme" and "Executive Share Incentive Scheme" respectively on pages 179 to 181

\* Interests as beneficial owner

<sup>†</sup> Interests of spouse or child under 18 as beneficial owner

<sup>Δ</sup> The Company's total number of voting shares in issue as at 31 December 2018 was 6,139,485,589

## REPORT OF THE MEMBERS OF THE BOARD

Save as disclosed above and in the sections headed “2007 Share Option Scheme” and “Executive Share Incentive Scheme”:

- A as at 31 December 2018, no Member of the Board or the Executive Directorate of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and
- B during the year ended 31 December 2018, no Member of the Board or the Executive Directorate nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them,

as recorded in the register kept by the Company under section 352 of the SFO or otherwise notified to the Company and the HKSE pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Set out below is the name of the party which was interested in 5% or more of all the Company's voting shares in issue and the number of shares in which it was interested as at 31 December 2018 as recorded in the register kept by the Company under section 336 of the SFO:

Name	No. of Ordinary Shares Held	Percentage of Ordinary Shares to all the voting shares in issue <sup>Δ</sup>
The Financial Secretary Incorporated (“FSI”) (in trust on behalf of Government)	4,634,173,932	75.48%

<sup>Δ</sup> The Company's total number of voting shares in issue as at 31 December 2018 was 6,139,485,589

The Company has been informed by the Hong Kong Monetary Authority that, as at 31 December 2018, approximately 0.38% of the Ordinary Shares in issue (not included in the FSI shareholding set out in the above table) were held for the account of the Exchange Fund. The Exchange Fund is a fund established under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) under the control of the Financial Secretary.

## OTHER PERSONS' INTERESTS

Pursuant to section 337 of the SFO, the Company has maintained a register recording the shareholding information provided by persons in response to the Company's requests pursuant to section 329 of the SFO.

Save as disclosed above and in the sections headed “Directors' Interests in Shares and Underlying Shares of the Company” and “Substantial Shareholders' Interests”, as at 31 December 2018, the Company has not been notified of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

## 2007 SHARE OPTION SCHEME

Movements in the outstanding share options to subscribe for Ordinary Shares granted under the 2007 Share Option Scheme during the year ended 31 December 2018 are set out below:

Members of the Executive Directorate and eligible employees	Date granted	Options granted (Notes 1 to 3)	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2018	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2018	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Adi Lau Tin-shing	30/5/2014	80,000	23/5/2015 – 23/5/2021	26,000	–	–	–	28.65	26,000	–
Dr Philco Wong Nai-keung (Note 6)	30/5/2014	83,000	23/5/2015 – 23/5/2021	55,000	–	55,000	–	28.65	–	–
Other eligible employees	30/3/2012	15,868,500	23/3/2013 – 23/3/2019	1,793,500	–	–	953,500	27.48	840,000	41.69
	6/5/2013	20,331,500	26/4/2014 – 26/4/2020	4,014,500	–	–	1,305,500	31.40	2,709,000	41.70
	30/5/2014	19,812,500	23/5/2015 – 23/5/2021	7,905,000	–	–	3,309,500	28.65	4,595,500	41.86

### Notes

- No option may be exercised later than seven years after its date of offer and no option may be offered to be granted more than seven years after the adoption of the 2007 Share Option Scheme on 7 June 2007. The 2007 Share Option Scheme expired at 5.00 p.m. on 6 June 2014, with no further option granted since then.
- Unless approved by shareholders in the manner as required by the Listing Rules, the total number of shares issued and issuable upon exercise of the options granted to any eligible employee under the 2007 Share Option Scheme together with the total number of shares issued and issuable upon the exercise of any option granted to such eligible employee under any other share option scheme of the Company (including, in each case, both exercised and outstanding options) in any 12-month period must not exceed 0.2% of the shares of the Company in issue at the date of offer in respect of such option under the 2007 Share Option Scheme.
- The share options granted were subject to a vesting schedule in tranches of one-third each per annum starting from the first anniversary of the date of offer of the options (the "Offer Anniversary") and became fully vested on the third Offer Anniversary.
- Pursuant to the terms of the 2007 Share Option Scheme, each grantee undertakes to pay HK\$1.00, on demand, to the Company, in consideration for the grant of the options.
- Other details of the 2007 Share Option Scheme are set out in notes 10B and 44(i) to the Consolidated Accounts.
- Dr Philco Wong Nai-keung resigned as Projects Director and ceased to be a Member of the Executive Directorate of the Company, in both cases with effect from 7 August 2018.

## EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed “2007 Share Option Scheme” above, no equity-linked agreements were entered into during the year ended 31 December 2018 or subsisted at the end of the year.

## EXECUTIVE SHARE INCENTIVE SCHEME

The Company adopted the Executive Share Incentive Scheme (formerly the “2014 Share Incentive Scheme”) on 15 August 2014. The purposes of the Executive Share Incentive Scheme are to retain management and key employees, to align participants’ interests with the long-term success of the Company and to drive the achievement of strategic objectives of the Company.

The Remuneration Committee may, from time to time, at its absolute discretion, determine the criteria for any eligible employee to participate in the Executive Share Incentive Scheme as award holders in accordance with the rules of the Executive Share Incentive Scheme. An award holder may be granted an award of Restricted Shares and/or Performance Shares (together, the “Award Shares”).

Restricted Shares are awarded to selective eligible employees and vested ratably over three years in equal tranches (unless otherwise determined by the Remuneration Committee). Performance Shares are awarded to eligible employees generally on a three-year performance cycle (“Performance Period”), subject to review and approval by the Remuneration Committee from time to time. The vesting of the Performance Shares is subject to the performance of the Company, assessed by reference to certain pre-determined performance metrics approved by the Board for the relevant Performance Period and such other performance conditions as determined by the Remuneration Committee from time to time.

The Award Shares to be granted under the Executive Share Incentive Scheme are issued Ordinary Shares. In general, the Company will pay to the third party trustee (the “Trustee”) monies and may give directions or a recommendation to the Trustee to apply such amount of monies and/or such other net amount of cash derived from Ordinary Shares held as part of the funds of the trust to acquire existing Ordinary Shares from the market. Such Ordinary Shares will be held on trust by the Trustee for the relevant award holders. The Trustee

shall not exercise any voting rights in respect of any Ordinary Shares held in the trust and no award holder is entitled to instruct the Trustee to exercise the voting rights in respect of any unvested Award Shares.

As part of the overall governance of the Executive Share Incentive Scheme, the Company reviews scheme features on a regular basis to ensure continued relevance and effectiveness.

In 2017, the Company appointed an independent consultant to conduct a review of the Executive Share Incentive Scheme and obtained the Remuneration Committee’s approval on certain refinements which came into effect on 1 January 2018. Changes include the renaming of the 2014 Share Incentive Scheme to become “Executive Share Incentive Scheme” and the entitlement of award holders to cash dividends accrued in respect of unvested Restricted Shares that are granted on or after 1 January 2018. Certain administrative provisions of the scheme rules were also updated to streamline the administration of the Executive Share Incentive Scheme.

The maximum number of Award Shares that may at any time be the subject of an outstanding award granted under the Executive Share Incentive Scheme shall not exceed 2.5% of the number of issued Ordinary Shares as at 1 January 2015, the effective date of the Executive Share Incentive Scheme (the “Effective Date”).

During the year ended 31 December 2018, the Performance Shares awarded for the previous Performance Period (2015 to 2017) vested to the eligible employees and new Performance Shares were awarded to eligible employees in April 2018 for the Performance Period from 2018 to 2020. For the year ended 31 December 2018, a total of 4,061,850 Award Shares (2017: 2,357,400 Award Shares) were awarded under the Executive Share Incentive Scheme. As at 31 December 2018, a total of 5,758,295 Award Shares (2017: 6,142,188 Award Shares) were neither vested, lapsed nor had been forfeited, representing 0.10% of the issued Ordinary Shares (2017: 0.11%) as at the Effective Date.

Further details of the Executive Share Incentive Scheme are set out in the section headed “Long-Term Incentives” under the Remuneration Committee Report (pages 151 to 152) and notes 10C and 44(ii) to the Consolidated Accounts.



The particulars of the Award Shares granted are as follows:

Members of the Executive Directorate and eligible employees	Date of award	Types of Award Shares granted		Award Shares outstanding as at 1 January 2018	Award Shares vested during the year	Award Shares lapsed and/or forfeited during the year	Award Shares outstanding as at 31 December 2018
		Restricted Shares	Performance Shares				
Lincoln Leong Kwok-kuen (Note 1)	27/4/2015	60,200	255,000	275,068	252,803	22,265	–
	8/4/2016	64,850	–	43,234	21,616	–	21,618
	10/4/2017	63,900	–	63,900	21,300	–	42,600
	16/3/2018	80,000	–	–	–	–	80,000
	10/4/2018	73,300	239,950	–	–	–	313,250
Dr Jacob Kam Chak-pui	27/4/2015	22,050	57,600	64,950	59,920	5,030	–
	8/4/2016	21,550	–	14,367	7,183	–	7,184
	10/4/2017	22,050	–	22,050	7,350	–	14,700
	10/4/2018	25,550	50,450	–	–	–	76,000
Margaret Cheng Wai-ching	19/8/2016	71,428	–	47,619	23,809	–	23,810
	10/4/2017	16,950	30,400	47,350	33,395	2,655	11,300
	10/4/2018	17,600	50,450	–	–	–	68,050
Morris Cheung Siu-wa (Note 2)	27/4/2015	–	28,800	28,800	26,285	2,515	–
	8/4/2016	14,950	–	9,967	9,967	–	–
	10/4/2017	13,950	–	13,950	13,950	–	–
	10/4/2018	8,850	–	–	8,850	–	–
Dr Peter Ronald Ewen	8/4/2016	–	35,700	35,700	32,583	3,117	–
	10/4/2017	15,050	–	15,050	5,016	–	10,034
	10/4/2018	12,250	50,450	–	–	–	62,700
Herbert Hui Leung-wah	10/4/2017	15,200	30,400	45,600	32,811	2,655	10,134
	10/4/2018	14,200	50,450	–	–	–	64,650
Adi Lau Tin-shing	27/4/2015	8,600	12,550	15,418	14,322	1,096	–
	8/4/2016	8,400	–	5,600	2,800	–	2,800
	10/4/2017	17,700	25,050	42,750	28,762	2,188	11,800
	10/4/2018	16,450	50,450	–	–	–	66,900
Gillian Elizabeth Meller	27/4/2015	16,950	57,600	63,250	58,220	5,030	–
	8/4/2016	17,300	–	11,534	5,766	–	5,768
	10/4/2017	16,200	–	16,200	5,400	–	10,800
	10/4/2018	16,050	50,450	–	–	–	66,500
Linda So Ka-pik	8/4/2016	16,400	44,050	54,984	45,669	3,847	5,468
	10/4/2017	15,300	–	15,300	5,100	–	10,200
	10/4/2018	14,200	50,450	–	–	–	64,650
David Tang Chi-fai	27/4/2015	18,450	57,600	63,750	58,720	5,030	–
	8/4/2016	17,950	–	11,967	5,983	–	5,984
	10/4/2017	17,250	–	17,250	5,750	–	11,500
	10/4/2018	16,850	50,450	–	–	–	67,300
Dr Philco Wong Nai-keung (Note 3)	27/4/2015	21,700	57,600	64,834	59,804	5,030	–
	8/4/2016	21,200	–	14,134	7,066	7,068	–
	10/4/2017	19,900	–	19,900	6,633	13,267	–
	10/4/2018	21,500	50,450	–	–	71,950	–
Jeny Yeung Mei-chun	27/4/2015	19,350	57,600	64,050	59,020	5,030	–
	8/4/2016	18,850	–	12,567	6,283	–	6,284
	10/4/2017	17,700	–	17,700	5,900	–	11,800
	10/4/2018	17,350	50,450	–	–	–	67,800
Other eligible employees	27/4/2015	2,172,750	1,051,650	1,524,228	1,389,491	134,737	–
	8/4/2016	2,199,700	107,450	1,420,417	786,631	44,118	589,668
	10/4/2017	1,994,050	26,350	1,958,750	720,097	76,060	1,162,593
	10/4/2018	1,954,800	1,028,450	–	32,000	166,800	2,784,450

Notes

- 1 Mr Lincoln Leong Kwok-kuen will retire as the Chief Executive Officer, and as a Member of the Board, the Corporate Responsibility Committee and the Executive Directorate, of the Company, all with effect from 1 April 2019.
- 2 Mr Morris Cheung Siu-wa ceased to be the President of MTR Academy and a Member of the Executive Directorate of the Company, in both cases with effect from 17 July 2018.
- 3 Dr Philco Wong Nai-keung resigned as Projects Director and ceased to be a Member of the Executive Directorate of the Company, in both cases with effect from 7 August 2018.

## SHARES ISSUED

	No. of Ordinary Shares issued	Consideration/Value (HK\$)
As at 31 December 2017	6,007,777,302	N/A
Shares issued under the 2007 Share Option Scheme (Further details can be found in note 44(i) to the Consolidated Accounts)	5,568,500	162 million (received by the Company)
Scrip shares issued in respect of 2017 final dividend	93,790,912	4,175 million
Scrip shares issued in respect of 2018 interim dividend	32,348,875	1,298 million
As at 31 December 2018	6,139,485,589	N/A

Details of the movements in share capital of the Company during the year are set out in note 41 to the Consolidated Accounts.

## 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 2018. However, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the HKSE a total of 5,351,600 Ordinary Shares for a total consideration of approximately HK\$239 million during the year ended 31 December 2018 (2017: Nil).

## PUBLIC FLOAT

The HKSE granted to the Company, at the time of its listing on the Main Board of the HKSE in 2000, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules ("Public Float Waiver"). Pursuant to the Public Float Waiver, the Company's prescribed minimum percentage of shares which must be in the hands of the public must not be less than 10% of the total number of issued shares of the Company. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this Report as required by the Public Float Waiver.

## MAJOR SUPPLIERS AND CUSTOMERS

Information in respect of the Group's major suppliers and major customers for the year ended 31 December 2018 is as follows:

	As a percentage of the Group's total supplies
Total value of supplies (not of a capital nature) attributable to the Group's five largest suppliers	21.37%
	As a percentage of the Group's total revenue
Total revenue attributable to the Group's five largest customers	34.77%
Total revenue attributable to the Group's largest customer	13.76%

As at 31 December 2018, no Members of the Board or the Executive Directorate or any of their respective close associates or any Shareholder including the FSI, the substantial shareholder of the Company, (which to the knowledge of the Members of the Board or the Executive Directorate, owned more than 5% of all the Company's voting shares in issue) had any beneficial interests in the Group's five largest customers.

## DONATIONS

During the year, the Group donated and sponsored approximately HK\$12.2 million (2017: approximately HK\$21.8 million) to charitable and other organisations.

## BANK OVERDRAFTS, BANK LOANS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2018 amounted to HK\$40,205 million (2017: HK\$42,043 million). Particulars of the borrowings are set out in note 35 to the Consolidated Accounts.

## BONDS AND NOTES ISSUED

The Group issued notes with total face value amounting to HK\$1,491 million equivalent during the year ended 31 December 2018 (2017: HK\$7,655 million equivalent), details of which are set out in note 35C to the Consolidated Accounts. Such notes were issued in order to meet the Group's general corporate funding requirements, including financing of capital expenditure and refinancing of debts.

## LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

As at 31 December 2018, the Group had borrowings of HK\$32,446 million (2017: HK\$37,770 million) with maturities ranging from 2019 to 2055 and undrawn committed banking facilities of HK\$9,775 million (2017: HK\$11,900 million), which were subject to the condition that Government, being the Company's controlling shareholder, owns more than half of all the Company's voting shares in issue. Failure to satisfy such condition may result in immediate repayment of the borrowings being demanded and cancellation of the undrawn committed banking facilities.

## PROPERTIES

Particulars of the principal investment properties and properties held for sale of the Company are shown on pages 64 and 65.

## CONNECTED TRANSACTIONS

During the year under review, the transactions described below were entered into with Government (which is a substantial shareholder of the Company as defined in the Listing Rules). Government is therefore a "connected person" of the Company for the purposes of the Listing Rules, and

each transaction described below is a connected transaction for the Company under the Listing Rules.

As disclosed in the announcement of the Company dated 13 January 2005, the Stock Exchange has granted a waiver to the Company from strict compliance with the requirements of Chapter 14A of the Listing Rules which would otherwise apply to connected transactions and continuing connected transactions between the Company and Government, subject to certain conditions (the "Waiver").

Consequently, the Company makes the disclosures below in accordance with Rule 14A.71 of the Listing Rules and in accordance with the conditions of the Waiver.

### Land Agreements

**A** On 18 May 2018, the Company accepted an offer dated 6 April 2018 from Government to proceed with the proposed Yau Tong Ventilation Building Development at New Kowloon Inland Lot No. 6602 subject to payment of a land premium of HK\$1,514,990,000 and on the terms and conditions of the relevant Conditions of Exchange No.20325.

**B** On 17 August 2018, the Company accepted an offer dated 29 June 2018 from Government to proceed with the proposed Wong Chuk Hang Station Package Three Property Development at Site C of Aberdeen Inland Lot No. 467 subject to payment of a land premium of HK\$12,971,290,000 and on the terms and conditions of the relevant Conditions of Exchange No. 20304.

**C** On 1 November 2018, the Company accepted an offer dated 21 September 2018 from Government to proceed with the proposed Ho Man Tin Station Package Two Property Development at Site B of Kowloon Inland Lot No. 11264 subject to payment of a land premium of HK\$7,486,530,000 and on the terms and conditions of the relevant Conditions of Exchange No. 20296.

## CONTINUING CONNECTED TRANSACTIONS

During the year under review, the following transactions and arrangements described below involved the provision of goods or services carried out on an ongoing or recurring basis and are expected to extend over a period of time with Government and/or KCRC, the Airport Authority (the "AA"), UGL Rail Services Pty Limited ("UGL"), Leighton Contractors (Asia) Limited ("LCAL") and John Holland Pty Limited ("JHL").

As noted above under the section headed “Connected Transactions”, Government is a substantial shareholder of the Company for the purposes of the Listing Rules. KCRC and the AA are both associates of Government and they are also connected persons of the Company as defined in the Listing Rules.

Metro Trains Melbourne Pty. Ltd. is a company incorporated in Australia, which is wholly-owned by Metro Trains Australia Pty Ltd (“MTA”). The Company, UGL and John Holland MTA Pty Ltd (“JHMTA”) own 60%, 20% and 20% respectively of MTA and are, therefore, substantial shareholders of MTA. Accordingly, UGL and JHMTA are connected persons of the Company. In addition, as JHL is an associate of JHMTA, JHL is also a connected person of the Company.

Since both UGL and LCAL are indirect wholly-owned subsidiaries of CIMIC Group Limited, LCAL is an associate of UGL and is also a connected person of the Company.

Therefore, each of Government, KCRC, the AA, UGL, LCAL, and JHL is a “connected person” of the Company for the purposes of the Listing Rules and, during 2018, each transaction set out at paragraphs I, II, III and IV below constituted a continuing connected transaction for the Company under the Listing Rules.

In accordance with Guidance Letter GL 73-14 issued by the Stock Exchange and taking into account the Stock Exchange’s recommendation issued in January 2016, the Company’s Internal Audit Department (“IAD”) has reviewed the Company’s continuing connected transactions set out below and the related internal control procedures. IAD found that the internal control procedures put in place by the Company were adequate and effective and reported the same to the Audit Committee of the Company to assist the Company’s Independent Non-executive Directors in their annual review and confirmation required to be given pursuant to the Merger-related Waiver (as defined below), the Waiver and the Listing Rules (as appropriate).

### I Merger-related Continuing Connected Transactions

Each of the transactions listed in paragraphs A to D below (together, the “Merger-related Continuing Connected Transactions”) and which formed part of the Rail Merger, was approved by the independent shareholders of the Company

at an Extraordinary General Meeting held on 9 October 2007. These paragraphs should be read in conjunction with the paragraphs contained in the section below headed “Additional Information in respect of the Rail Merger”.

As disclosed in the circular issued by the Company on 3 September 2007 in connection with the Rail Merger, the Stock Exchange granted a waiver to the Company from strict compliance with the requirements under Chapter 14A of the Listing Rules which would otherwise apply to continuing connected transactions between the Company, Government and/or KCRC arising as a result of the Rail Merger, subject to certain conditions (the “Merger-related Waiver”).

### A Merger Framework Agreement

The Merger Framework Agreement was entered into on 9 August 2007 between the Company, KCRC and the Secretary for Transport and Housing and the Secretary for Financial Services and the Treasury for and on behalf of Government.

The Merger Framework Agreement contains provisions for the overall structure and certain specific aspects of the Rail Merger, including in relation to:

- a seamless interchange programme;
- corporate governance of the Company Post-Rail Merger;
- payments relating to property enabling works;
- arrangements relating to the establishment of a rolling programme on the level of flat production arising from tenders for railway property development;
- arrangements in relation to the assessment of land premium amounts;
- arrangements in relation to the employees of the Company and KCRC, including provisions preventing the Company from terminating the employment of relevant frontline staff for any reason that relates to the process of integrating the operations of the Company and KCRC;
- the implementation of certain fare reductions;
- arrangements in relation to the proposed Shatin to Central Link;
- KCRC’s continuing responsibility for its existing financial arrangements;
- treatment of KCRC’s cross border leases;

- the payment of HK\$7.79 billion in respect of the Property Package (as described on pages 185 to 187 and in paragraph D below);
- the allocation of liability for any Pre-Rail Merger and Post-Rail Merger claims by third parties; and
- the Company's retention of its English name and (pursuant to the Rail Merger Ordinance) the change of its Chinese name to "香港鐵路有限公司".

## B West Rail Agency Agreement

The West Rail Agency Agreement and related agreements were entered into on 9 August 2007 between the Company, KCRC and certain KCRC subsidiary companies (the "West Rail Subsidiaries"). Pursuant to the terms of the West Rail Agency Agreement, the Company was appointed:

- to act as KCRC's agent, and donee under powers of attorney, to exercise certain rights and perform certain obligations relating to specified development sites along West Rail; and
- to act as agent for, and donee under powers of attorney from, each of the West Rail Subsidiaries to exercise certain rights and perform certain obligations relating to specified development sites along West Rail.

The Company will receive an agency fee of 0.75% of the gross sale proceeds in respect of the unawarded West Rail development sites and 10% of the net profits accrued to the West Rail Subsidiaries under the development agreements in respect of the awarded West Rail development sites. The Company will also recover from the West Rail Subsidiaries its costs (including internal costs) incurred in respect of the West Rail development sites plus 16.5% on-cost, together with interest accrued thereon.

## C KCRC Cross Border Lease Agreements

### *US CBL Assumption Agreements*

Separate US CBL Assumption Agreements were entered into on 30 November 2007 between the Company, KCRC and certain counterparties, and became effective on 3 December 2007, with respect to each of the US cross border leases originally entered into between KCRC and certain counterparties (each, a "CBL"). Pursuant to each US CBL Assumption Agreement, the Company undertakes to perform, on a joint and several basis with KCRC, the

obligations of KCRC under the respective CBLs. As a result thereof, the Company is generally liable to the CBL counterparties in respect of KCRC's obligations under the CBLs and has the right to exercise certain of KCRC's rights under the CBLs.

### *US CBL Allocation Agreement*

The US CBL Allocation Agreement was entered into between the Company, KCRC and the subsidiaries of KCRC (the "KCRC Subsidiaries") on 2 December 2007. Pursuant to the US CBL Allocation Agreement, rights, obligations and responsibility for risks relating to the CBLs are delineated and allocated between KCRC and the Company (each of which is jointly and severally liable to specified CBL counterparties, as referred to in the paragraph above headed "US CBL Assumption Agreements"). Under the terms of the US CBL Allocation Agreement, entered into between the Company and KCRC, the Company is responsible for specified obligations. The Company and KCRC each made representations under the US CBL Allocation Agreement, which include, in the case of those made by KCRC, representations with respect to the status of the CBLs. The Company and KCRC agreed to indemnify each other for certain losses in relation to the CBLs.

By the end of the year, all purchase options under the CBLs had been exercised and therefore all of the CBLs have now been terminated. As a result, the rights and obligations of the Company under the US CBL Assumption Agreements and US CBL Allocation Agreement have lapsed.

## D Property Package Agreements

### *Category 2A Properties*

On 9 August 2007, Government entered into an undertaking that it would issue to KCRC an offer for the grant at nil premium of Government leases in respect of the land upon which certain properties (the "Category 2A Properties") are situated (the "said Government Leases"). The Category 2A Properties were held by KCRC as vested land under the Kowloon-Canton Railway Corporation Ordinance (Cap. 372 of the Laws of Hong Kong). On 9 August 2007, KCRC entered into an undertaking that it would, immediately after the grant of the said Government Leases referred to in the preceding sentence, enter into agreements for sale and purchase to sell the Category 2A Properties to the Company (the "said Agreements for Sale and Purchase"). Assignments of the Category 2A Properties to the Company shall then take place



pursuant to the said Agreements for Sale and Purchase (the “said Assignments”).

The said Government Leases were issued to KCRC respectively on 27 March 2009 and 31 March 2009. The said Agreements for Sale and Purchase were entered into between KCRC and the Company on 27 March 2009 and 31 March 2009 respectively and the said Assignments to the Company were executed on 27 March 2009 and 31 March 2009 respectively. Deeds of Mutual Grant were also entered into between the Company and KCRC on 27 March 2009 and 31 March 2009 respectively setting out the easements, rights, entitlements, privileges and liberties of the Company and KCRC in the land on which the Category 2A Properties are situated.

### *Category 2B Property*

On 9 August 2007, Government entered into an undertaking that it would issue to the Company an offer for the grant of a Government Lease of a certain property (the “Category 2B Property”) on terms to be agreed.

The basic terms offer for the Category 2B Property (i.e. Trackside Villas) was issued and accepted by the Company on 31 December 2009 and Government Lease in respect of Tai Po Town Lot No. 199 dated 29 March 2010 was issued for a term of 50 years from 2 December 2007.

### *Category 3 Properties*

On 9 August 2007, the Company entered into three agreements (the “Category 3 Agreements”) and related powers of attorney with KCRC. Each Category 3 Agreement relates to a certain property (each a “Category 3 Property”). KCRC has previously entered into a development agreement in respect of each Category 3 Property. None of the rights and obligations granted to or undertaken by the Company under the Category 3 Agreements may be exercised or performed by the Company if they relate exclusively to concession property situate on any Category 3 Property. Matters affecting the concession property situate on any Category 3 Property are dealt with under the terms of the Service Concession Agreement (as defined and summarised on page 201).

Pursuant to the terms of each Category 3 Agreement, the Company has been appointed to act as KCRC’s agent, and donee under powers of attorney, to exercise rights and to perform obligations of KCRC which relate to the Category 3

Property (but excluding the right or obligation to dispose of the relevant Category 3 Property).

The Company is required at all times to comply with statutory restrictions and obligations binding on KCRC which relate to the Category 3 Properties, and shall pay all amounts due and payable from KCRC which have been incurred by KCRC as a result of the Company’s actions.

In acting as KCRC’s agent, the Company is required to act according to prudent commercial principles, and aim to maximise gross profits under the Category 3 Properties and to run a safe and efficient railway. In order to assist the Company in performing its agency functions, KCRC has granted powers of attorney to the Company. The Company may only use the powers of attorney to exercise rights and perform obligations conferred or undertaken by it under the relevant Category 3 Agreement. As well as acting as KCRC’s agent, the Company has the right to give KCRC instructions in respect of any action or matter relating to each Category 3 Property (including its related development agreement) which the Company is unable to take by reason of the limitation of the scope of its agency powers. KCRC is required to comply promptly with those instructions provided that it is permitted under law, and under the relevant Government grant, to carry out those instructions.

KCRC is required to account for revenue received in respect of a Category 3 Property by way of balance sheet movement (rather under its profit and loss account), provided that such treatment is permitted under law and accounting principles and practices.

KCRC shall not take any action in respect of a Category 3 Property which is not carried out by the Company (acting as KCRC’s agent), or according to the Company’s instructions, or otherwise in accordance with the terms of the Category 3 Agreement.

As consideration for acting as KCRC’s agent, the Company shall be paid a fee which is expected to be similar in quantum to the profits made by KCRC in respect of the relevant Category 3 Property (after deducting certain initial and upfront payments and consultant contribution costs, in each case paid or to be paid by the relevant developer to KCRC). Generally, the Company’s fee shall be payable in instalments promptly following receipt of relevant funds by KCRC (but

subject to specified deductions of amounts due from KCRC to the relevant Category 3 Property developer).

The Company has agreed to give certain indemnities to KCRC in respect of each Category 3 Property.

The Company shall be the first manager, or shall ensure that a manager is appointed in respect of, each Category 3 Property (once developed).

The Company's appointment as agent shall terminate when KCRC ceases to have any undivided share in the relevant Category 3 Property, other than concession property, and neither KCRC nor the developer nor the guarantors have any further rights to exercise, or obligations to perform, under the development agreement relating to the relevant Category 3 Property.

## II Non Merger-related Continuing Connected Transactions

The following disclosures, in paragraphs A1 to D below together with the Third XRL Agreement (as defined below) (together, the "Non Merger-related Continuing Connected Transactions"), are made in accordance with the conditions of the Waiver and Rule 14A.71 of the Listing Rules.

### A1 Entrustment Agreement for Design and Site Investigation in Relation to the Shatin to Central Link

The Entrustment Agreement for Design and Site Investigation in Relation to the Shatin to Central Link (the "First SCL Agreement") was entered into on 24 November 2008 between the Company and the Secretary for Transport and Housing for and on behalf of Government.

The First SCL Agreement contains provisions for the design of and site investigation and procurement activities in relation to the proposed Shatin to Central Link, including in relation to:

- Government's obligation to pay the Company up to a maximum aggregate amount of HK\$1,500 million in respect of certain costs incurred by the Company pursuant to the First SCL Agreement, including the Company's in-house design costs and certain on-costs and preliminary costs;
- Government's obligation to bear and finance the total cost of the design and site investigation activities under the First SCL Agreement (subject to the limit noted

above in respect of payments to the Company) and arrangements for the payment of these costs directly by Government;

- the Company's obligation to carry out or procure the carrying out of the design and site investigation activities in relation to the proposed Shatin to Central Link;
- the limitation of the Company's liability to Government under the First SCL Agreement, except in respect of death or personal injury caused by the negligence of the Company, to HK\$600 million; and
- should the railway scheme for the Shatin to Central Link be authorised under the Railways Ordinance (Cap. 519 of the Laws of Hong Kong), the execution of a further agreement by Government and the Company setting out each of their rights, obligations, duties and powers with respect to the financing, construction, completion, testing, commissioning and putting into service the works necessary for the construction and operation of the Shatin to Central Link.

### A2 Entrustment Agreement for Advance Works Relating to the Shatin to Central Link

The Entrustment Agreement for Advance Works Relating to the Shatin to Central Link (the "Second SCL Agreement") was entered into on 17 May 2011 between the Company and the Secretary for Transport and Housing for and on behalf of Government.

The Second SCL Agreement contains the following provisions:

- in consideration of the Company executing or procuring the execution of certain entrustment activities as set out in the Second SCL Agreement and carrying out its other obligations under the Second SCL Agreement, Government shall pay to the Company the Company's project management cost. The amount of such project management cost is to be agreed between the Company and Government and prior to such agreement, the project management cost shall be paid by Government to the Company on a provisional basis calculated in accordance with the Second SCL Agreement;
- the Company and Government may agree that the Company will carry out (or procure the carrying out of) certain additional works for Government (such as agreed additional works being "miscellaneous works").

Miscellaneous works (if any) are to be carried out by the Company in the same manner as if they had formed part of the activities specified to be carried out under the Second SCL Agreement and in consideration of the Company executing or procuring the execution of such miscellaneous works (if any) and carrying out its other obligations under the Second SCL Agreement in relation to such miscellaneous works (if any), Government shall pay to the Company an amount to be agreed between the Company and Government as being the project management fee payable to the Company for designing and constructing such miscellaneous works;

- Government shall bear all of the “Works Cost” (as defined in the Second SCL Agreement). In this connection, Government will make payments to the Company in respect of the Works Cost on a provisional basis, subject to adjustments when the final outturn cost of the Works Cost is determined;
- Government shall bear land acquisition, clearance and related costs and those costs which are incurred by the Lands Department in connection with the Shatin to Central Link project;
- the maximum aggregate amount payable by Government to the Company under the Second SCL Agreement is limited to approximately HK\$3,000 million per annum and a total in aggregate of approximately HK\$15,000 million;
- the Company shall carry out or procure the carrying out of certain enabling works on the expanded Admiralty Station and the to be constructed Ho Man Tin Station, the reprovisioning of the International Mail Centre from Hung Hom to Kowloon Bay and other works as described under the Second SCL Agreement;
- the Company’s total liability to Government under the First SCL Agreement and the Second SCL Agreement, except in respect of death or personal injury caused by the negligence of the Company, is limited to the aggregate fees that have been and will be received by the Company from Government under the First SCL Agreement and the Second SCL Agreement;
- the Company will provide to Government by the end of each calendar month, a progress report on the activities under the Second SCL Agreement that were carried out in the immediately preceding calendar month and, within three months following the completion of the relevant works, a final report on the activities required to be carried out under the Second SCL Agreement;
- the Company shall be responsible for the care of all works constructed under the Shatin to Central Link project from the commencement of construction until the date of handover of those works to Government and for completing or procuring the completion of any outstanding works and/or defective works identified prior to the handover of the works;
- during the period of twelve years following the issue of a certificate of completion by the Company in respect of work carried out under any contract with any third party, the Company shall be responsible for the repair of any defects in such work that are identified following the expiry of any defects liability period under the relevant contract;
- the Company warrants that:
  - in the case of those activities under the Second SCL Agreement that relate to the provision of project management services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent project manager;
  - in the case of those activities under the Second SCL Agreement that relate to the provision of design services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent design engineer; and
  - in the case of those activities under the Second SCL Agreement that relate to the carrying out of construction activities, such activities shall be carried out with the skill and care reasonably to be expected of, and by utilising such plant, goods and materials reasonably to be expected from, a competent and workmanlike construction contractor; and
- Government further undertakes to use reasonable endeavours to provide the Company with assistance of a non-financial nature, including taking all reasonable steps to procure that all necessary licences and consents, required in connection with the design, construction and operation of the Shatin to Central Link are given or granted.



### A3 Entrustment Agreement for Construction and Commissioning of the Shatin to Central Link

The Entrustment Agreement for Construction and Commissioning of the Shatin to Central Link (the "Third SCL Agreement") was entered into on 29 May 2012 between the Company and the Secretary for Transport and Housing for and on behalf of Government.

The Third SCL Agreement contains the following provisions:

- in consideration of the Company executing or procuring the execution of certain entrustment activities as set out in the Third SCL Agreement and carrying out its other obligations under the First SCL Agreement and the Second SCL Agreement, Government shall pay to the Company the Company's project management cost. The amount of the project management cost is HK\$7,893 million and will be paid by Government to the Company on a quarterly basis;
- the Company and Government may agree that the Company will carry out (or procure the carrying out of) certain additional works for Government (such agreed additional works being "miscellaneous works"). Miscellaneous works (if any) are to be carried out by the Company in the same manner as if they had formed part of the activities specified to be carried out under the Third SCL Agreement and in consideration of the Company executing or procuring the execution of such miscellaneous works (if any) and carrying out its other obligations under the Third SCL Agreement in relation to such miscellaneous works (if any), Government shall pay to the Company an amount to be agreed between the Company and Government as being the project management fee payable to the Company for designing and constructing such miscellaneous works;
- Government shall bear certain "Third Party Costs", any "Interface Works Costs" and any "Direct Costs" (each as defined in the Third SCL Agreement);
- Government shall bear land acquisition, clearance and related costs and those costs which are incurred by the Lands Department in connection with the Shatin to Central Link project;
- the maximum aggregate amount payable by Government to the Company under the Third SCL Agreement is limited to HK\$3,000 million per annum and a total in aggregate of HK\$15,000 million;
- the maximum aggregate amount payable by the Company to Government under the Third SCL Agreement in relation to its contribution to certain railway works under the Third SCL Agreement is limited to HK\$4,000 million per annum and a total in aggregate of HK\$15,000 million;
- the Company's total liability to Government under the First SCL Agreement, the Second SCL Agreement and the Third SCL Agreement, except in respect of death or personal injury caused by the negligence of the Company, is limited to the aggregate fees that have been and will be received by the Company from Government under the First SCL Agreement, the Second SCL Agreement and the Third SCL Agreement;
- the Company will provide to Government by the end of each calendar month, a progress report on the activities under the Third SCL Agreement that were carried out in the immediately preceding calendar month and, within three months following the handover of the Shatin to Central Link project to Government, a final report on the activities required to be carried out under the Third SCL Agreement;
- the Company shall be responsible for the care of all works constructed under the Shatin to Central Link project from the commencement of construction until the date of handover of those works to Government and for completing or procuring the completion of any outstanding works and/or defective works identified prior to the handover of the works;
- during the period of twelve years following the issue of a certificate of completion by the Company in respect of work carried out under any contract with any third party, the Company shall be responsible for the repair of any defects in such work that are identified following the expiry of any defects liability period under the relevant contract;
- the Company warrants that:
  - in the case of those activities under the Third SCL Agreement that relate to the provision of project management services, such activities shall be carried

- out with the skill and care reasonably to be expected of a professional and competent project manager;
- in the case of those activities under the Third SCL Agreement that relate to the provision of design services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent design engineer; and
- in the case of those activities under the Third SCL Agreement that relate to the carrying out of construction activities, such activities shall be carried out with the skill and care reasonably to be expected of, and by utilising such plant, goods and materials reasonably to be expected from, a competent and workmanlike construction contractor; and
- Government further undertakes to use reasonable endeavours to provide the Company with assistance of a non-financial nature, including taking all reasonable steps to procure that all necessary licences and consents, required in connection with the design, construction and operation of the Shatin to Central Link are given or granted.

### **B1 Entrustment Agreement for Design and Site Investigation in Relation to the Express Rail Link**

The Entrustment Agreement for Design and Site Investigation in Relation to the Express Rail Link (the “First XRL Agreement”) was entered into on 24 November 2008 between the Company and the Secretary for Transport and Housing for and on behalf of Government.

The First XRL Agreement contains provisions for the design of and site investigation and procurement activities in relation to the proposed Express Rail Link, including in relation to:

- Government’s obligation to pay the Company, up to a maximum aggregate amount of HK\$1,500 million, in respect of certain costs incurred by the Company pursuant to the First XRL Agreement, including the Company’s in-house design costs and certain on-costs, preliminary costs and recruited staff costs;
- Government’s obligation to bear and finance the total cost of the design and site investigation activities under the First XRL Agreement (subject to the limit noted above in respect of payments to the Company) and arrangements for the payment of these costs directly by Government;
- the Company’s obligation to carry out or procure the carrying out of the design and site investigation activities in relation to the proposed Express Rail Link;
- the limitation of the Company’s liability to Government under the First XRL Agreement, except in respect of death or personal injury caused by the negligence of the Company, to HK\$700 million; and
- should the railway scheme for the Express Rail Link be authorised under the Railways Ordinance (Cap. 519 of the Laws of Hong Kong), the execution of a further agreement by Government and the Company setting out each of their rights, obligations, duties and powers with respect to the financing, construction, completion, testing, commissioning and putting into service the works necessary for the construction and operation of the Express Rail Link.

### **B2 Entrustment Agreement for Construction, Testing and Commissioning of the Express Rail Link**

The Entrustment Agreement for the construction and commissioning of the Express Rail Link was entered into on 26 January 2010 between the Company and the Secretary for Transport and Housing for and on behalf of Government (the “Second XRL Agreement”).

The scheme in respect of the Express Rail Link was first gazetted under the Railways Ordinance (Cap. 519 of the Laws of Hong Kong) on 28 November 2008, with amendments and corrections gazetted on 30 April 2009. The scheme, as amended with such minor modifications as deemed necessary, was authorised by the Chief Executive in Council on 20 October 2009 and funding support approved by the Finance Committee on 16 January 2010.

The Second XRL Agreement contains the following provisions:

- in consideration of the Company executing or procuring the execution of certain entrustment activities as set out in the Second XRL Agreement and carrying out its other obligations under the Second XRL Agreement and the First XRL Agreement, Government shall pay to the Company HK\$4,590 million (further details relating to the amendments to this provision are set out in the section below headed “The Third Agreement in Relation to the Express Rail Link”), to

- be paid in cash quarterly in advance on a scheduled basis as such sum may be varied in accordance with the Second XRL Agreement, subject to the maximum payment limits stated in the Second XRL Agreement (being HK\$2,000 million annually and HK\$10,000 million in total) (the “Maximum Payment Limits”);
- the Company and Government may agree that the Company will carry out (or procure the carrying out of) certain additional works for Government (such agreed additional works being “miscellaneous works”). Miscellaneous works (if any) are to be carried out by the Company in the same manner as if they had formed part of the activities specified to be carried out under the Second XRL Agreement and in consideration of the Company executing or procuring the execution of the miscellaneous works (if any) and carrying out its other obligations under the Second XRL Agreement in relation to the miscellaneous works (if any), Government shall pay to the Company an amount equal to an agreed fixed percentage of third party costs attributable to the miscellaneous works from time to time subject to the Maximum Payment Limits;
  - the Company will provide to Government by the end of each calendar month, a progress report on the activities under the Second XRL Agreement that were carried out in the immediately preceding calendar month and, within three months following the earlier of handover of the Express Rail Link project to Government or termination of the Second XRL Agreement, a final report on the activities required to be carried out under the Second XRL Agreement;
  - the Company shall be responsible for the care of all works constructed under the Express Rail Link project from the commencement of construction until the date of handover of those works to Government (or to a third party directed by Government) and for completing or procuring the completion of any outstanding works and/or defective works identified prior to the handover of the works;
  - during the period of twelve years following the issue of a certificate of completion by the Company in respect of work carried out under any contract with any third party, the Company shall be responsible for the repair of any defects in such work that are identified following the expiry of any defects liability period under the relevant contract;
  - the Company warrants that:
    - in the case of those activities under the Second XRL Agreement that relate to the provision of project management services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent project manager;
    - in the case of those activities under the Second XRL Agreement that relate to the provision of design services, such activities shall be carried out with the skill and care reasonably to be expected of a professional and competent design engineer; and
    - in the case of those activities under the Second XRL Agreement that relate to the carrying out of construction activities, such activities shall be carried out with the skill and care reasonably to be expected of, and by utilising such plant, goods and materials reasonably to be expected from, a competent and workmanlike construction contractor;
  - Government is required to bear (i) any costs payable to third parties, (ii) any charges, costs or amounts payable to any Government department, bureau, agency or body in relation to the activities to be carried out under the Second XRL Agreement, (iii) any and all amounts payable to KCRC as compensation for damage arising as a result of the Company and/or a third party contractor carrying out activities under the Second XRL Agreement; and (iv) all land acquisition, clearance and related costs (including all amounts arising as a result of any claim for compensation by any third party) and those costs which are incurred by the Lands Department in connection with the Express Rail Link project (further details relating to the amendments to this provision are set out in the section below headed “The Third Agreement in Relation to the Express Rail Link”); and
  - Government further undertakes to use reasonable endeavours to provide the Company with assistance of a non-financial nature, including taking all reasonable steps to procure that all necessary licences and consents, required in connection with the design, construction and operation of the Express Rail Link are given or granted.

Government had agreed that the Company would proceed with the construction, testing and commissioning of the Express Rail Link (pursuant to and on the terms of the Second XRL Agreement) on the understanding that the Company would be invited to undertake the operation of the Express Rail Link under the concession approach.

### The Third Agreement in Relation to the Express Rail Link

On 30 November 2015, Government and the Company entered into the deed of agreement relating to the further funding and completion of the Express Rail Link project (the "Third XRL Agreement"). The Third XRL Agreement contains an integrated package of terms and provides that:

- (i) Government will bear and finance the project cost up to HK\$84.42 billion;
- (ii) if the project cost exceeds HK\$84.42 billion, the Company will bear and finance the portion which exceeds that sum (if any), except for certain agreed excluded costs;
- (iii) the Company will pay a special dividend of HK\$4.40 in aggregate per share in two equal tranches (of HK\$2.20 per share, in cash in each tranche);
- (iv) certain amendments will be made to the existing entrustment arrangements entered into in 2010 relating to the Express Rail Link, including an increase in the project management fee payable to the Company to HK\$6.34 billion;
- (v) Government reserves the right to refer to arbitration, after commencement of operations on the Express Rail Link, the question of the Company's liability for the current cost overrun (if any); and
- (vi) the Third XRL Agreement was subject to (a) the obtaining of approval of the Company's independent shareholders (which was obtained on 1 February 2016) and (b) the obtaining of approval of the Legislative Council for Government's additional funding obligations (which was obtained on 11 March 2016).

The first tranche of the special dividend of HK\$2.20 per share was distributed on 13 July 2016 and the second tranche, also of HK\$2.20 per share, was distributed on 12 July 2017.

Pursuant to the Third XRL Agreement, certain amendments have been made to the Second XRL Agreement to reflect

the arrangements contained in the Third XRL Agreement, including (i) amendments to the arrangements for the bearing and financing of the project cost; and (ii) an increase in the project management cost payable to the Company to an aggregate of HK\$6.34 billion (which reflects the estimate of the Company's expected internal costs in performing its obligations in relation to the Express Rail Link project).

### C1 Maintenance Agreement for the Automated People Mover System at the Hong Kong International Airport

On 5 July 2013, the Company entered into a Maintenance Contract with the AA for the renewal of the then expired maintenance agreement for the maintenance of the Automated People Mover system at the Hong Kong International Airport (the "System") for a seven year period (the "Maintenance Contract"), effective from 6 July 2013. It is expected that the highest amount per year receivable from the AA under the Maintenance Contract will be no more than HK\$85 million.

The Maintenance Contract contains provisions relating to the operation and maintenance by the Company of the System and the carrying out by the Company of certain specified services in respect of the System, they including the following:

- provisions stating that the duration of the Maintenance Contract shall be seven years from 6 July 2013 up to and including 5 July 2020;
- provisions relating to the performance of scheduled maintenance works and overhaul of the System by the Company;
- provisions relating to monitoring the System for any breakdown and the Company providing repair services where necessary;
- provisions relating to the standards to which the Company must operate the System;
- provisions relating to the carrying out by the Company (as additional services), in certain circumstances, of upgrade work on the System; and
- provisions relating to the operations of and maintenance for the extension of the System to the Midfield Concourse.

## C2 Subcontractor Warranty to the AA

On 18 May 2018, the Company provided a sub-contractor warranty to the AA as a result of obtaining a subcontract from Niigata Transys Co., Ltd. (“NTS”) for the modification works of the existing System for a seven year period, effective from 25 September 2017 (the “Subcontract”). It is expected that the highest amount per year receivable from NTS will be no more than HK\$60 million.

The Subcontract contains provisions covering the provision and modification of the power distribution, communication and control subsystems in respect of the System, which includes the following:

- Modification of the existing System for its extension to the new Automated People Mover Interchange Station;
- Provision of related electrical and mechanical systems, including power distribution system, telecommunication systems, platform screen door and maintenance equipment; and
- Relocation of existing maintenance equipment to the new Automated People Mover depot.

## D Project Agreement for the Financing, Design, Construction and Operation of the West Island Line

The Project Agreement for the Financing, Design, Construction and Operation of the West Island Line (the “WIL Project Agreement”) was entered into on 13 July 2009 between the Company and the Secretary for Transport and Housing for and on behalf of Government.

The WIL Project Agreement contains provisions for the financing of and the carrying out, or procuring the carrying out, of the design, construction, completion, testing and commissioning by the Company of the railway works required in order to bring the West Island Line into operation in accordance with the MTR Ordinance, the Operating Agreement between the Company and the Secretary for Transport and Housing for and on behalf of Government dated 9 August 2007 and the WIL Project Agreement. The West Island Line will be owned, operated and maintained by the Company for its own account for the period of the Company’s railway franchise. The WIL Project Agreement includes provisions in relation to:

- payment by Government of HK\$12,252 million to the Company in consideration of the Company’s obligations under the WIL Project Agreement, such sum constituting funding support from Government for the Company to implement the West Island Line project;
- within 24 months of commercial operations commencing on the West Island Line on a revenue earning basis and providing scheduled transport for the public (which period was extended to no later than 30 June 2018 by a supplemental agreement between the Company and Government dated 23 December 2016, and further extended for a period ending on or before 31 March 2019 by a second supplemental agreement between the Company and Government dated 29 June 2018), payment by the Company to Government of any “Repayment Amounts” for any over-estimation of certain capital expenditure, price escalation costs, land costs and the amount of contingency in relation to the railway works and reprovisioning, remedial and improvement works (together with interest);
- the design, construction and completion of the associated reprovisioning, remedial and improvement works (the cost of which shall be the responsibility of the Company) and the associated essential public infrastructure works (the cost of which shall be the responsibility of Government);
- the Company’s responsibility for costs relating to land acquisition, clearance and related costs arising from the implementation of the West Island Line project (save for costs arising from certain claims for compensation by third parties) and all costs, expenses and other amounts incurred or paid by the Lands Department pursuant to the involvement of the Lands Department in connection with the implementation of the West Island Line project; and
- the Company carrying out measures specified in the environmental impact assessment and the environmental permit issued by Government to the Company in relation to the West Island Line on 12 January 2009.



### III Continuing Connected Transactions relating to the Operation of the Express Rail Link

The following disclosures, in paragraphs A and B below (together, the “Continuing Connected Transactions relating to the Operation of the Express Rail Link”), are made in accordance with the conditions of the Waiver, the Merger-related Waiver and Rule 14A.71 of the Listing Rules.

#### A Amendment Operating Agreement

On 23 August 2018, the Company and the Secretary for Transport and Housing, for and on behalf of Government, entered into the Amendment Operating Agreement (the “AOA”) to amend and supplement the Integrated Operating Agreement dated 9 August 2007 (as described in paragraph D of the section headed “Additional Information in respect of the Rail Merger” on pages 201 to 202), as amended (“Existing Integrated Operating Agreement”), in order to prescribe the operational requirements that would apply to the Express Rail Link. The intent and effect of the AOA is that the operational requirements that are applicable to the existing railway network would apply in substantially the same manner to the Express Rail Link, save where any amendments were necessary to reflect the particular characteristics of, and arrangements for, the Express Rail Link.

The AOA is an “operating agreement” for the purposes of the MTR Ordinance, forms part of the legal and regulatory regime for the operation of railways in Hong Kong and is required for the purposes of the MTR Ordinance so that the Express Rail Link is properly regulated under the MTR Ordinance.

Principal Terms of the AOA are as follows:

The terms of the AOA are based substantially on the terms of the Existing Integrated Operating Agreement. The AOA has taken effect on 23 September 2018 (the “Commercial Operation Date (Express Rail Link)”) and will expire at the same time as the Supplemental Service Concession Agreement (the “SSCA”) entered into between the Company and KCRC on 23 August 2018.

Certain principal terms of the AOA that are specific to the Express Rail Link include:

- obligations on the Company to maintain specific performance requirements in relation to train service

delivery, ticket machine reliability, ticket-gate reliability and escalators and passenger lifts reliability;

- obligations on the Company to publish specific customer services pledges in relation to train service delivery, ticket machine reliability, ticket-gate reliability, escalators and passenger lifts reliability, temperature and ventilation levels, railway cleanliness (relating only to the Company’s Express Rail Link trains) and passenger enquiry response time;
- obligations in relation to the carrying out of the maintenance of the Company’s Express Rail Link trains outside Hong Kong;
- obligations on the Company to carry out design checks and tests to verify that the Mainland operator’s Express Rail Link trains are compatible with the Company’s infrastructure and can run on the Express Rail Link safely;
- establishing procedures with the Mainland operator for approving the Mainland operator’s trains to run on the Express Rail Link safely and for informing Government of the modification of any such trains;
- developing and maintaining a training qualification system for drivers of Express Rail Link trains;
- facilitating the carrying out of inspections by the railway inspector, including liaising with the Mainland operator for this purpose, where necessary;
- security obligations in relation to maintaining the integrity and security of the boundaries of the Mainland Port Area and the Cross-Boundary Restricted Area; and
- mechanisms and Government approval procedures for setting fares for Express Rail Link train journeys, including that:
  - (i) prior to the Commercial Operation Date (Express Rail Link), the Company will seek prior written consent from Government before setting the fares for the various available Express Rail Link ticket types; and
  - (ii) thereafter, fares cannot be adjusted, introduced or withdrawn without the prior consent of Government.

#### B Supplemental Service Concession Agreement

On 23 August 2018, the Company and KCRC entered into the SSCA to supplement the Service Concession Agreement

dated 9 August 2007 (as described in paragraph B of the section headed “Additional Information in respect of the Rail Merger” on page 201) (the “Existing Service Concession Agreement”) in order for KCRC to grant a concession to the Company in respect of the Express Rail Link and to prescribe the operational and financial requirements that will apply to the Express Rail Link. The intent and effect of the SSCA is that the operational requirements that are applicable to the Company’s operation of the existing KCRC railway system will apply in substantially the same manner to the Express Rail Link, save where any amendments are necessary to reflect the particular characteristics of, and arrangements for, the Express Rail Link. The financial provisions in the SSCA have been designed to reflect the provisions of the Existing Integrated Operating Agreement that relate to new concession projects, such as the Express Rail Link subject as set out below.

The SSCA is a “service concession agreement” for the purposes of the MTR Ordinance, forms part of the legal and regulatory regime for the operation of railways in Hong Kong and is required for the purposes of the MTR Ordinance so that the Express Rail Link is properly regulated under the MTR Ordinance.

#### Principal Terms of the SSCA

The terms of the SSCA are based substantially on the terms of the Existing Service Concession Agreement. The operating period with respect to the Express Rail Link has commenced on the Commercial Operation Date (Express Rail Link) and will terminate automatically on the earlier of:

- (i) a revocation of the Company’s franchise under the MTR Ordinance in whole or in respect of the Express Rail Link; and
- (ii) the date falling immediately before the tenth anniversary of the Commercial Operation Date (Express Rail Link), but may be extended subject to further negotiation between the Company and KCRC in accordance with the mechanism set out in the SSCA, in which case it shall terminate on such other date as is agreed between the Company and KCRC (the “Concession Period (Express Rail Link)”).

Certain principal terms of the SSCA that are specific to the Express Rail Link include:

- Additional concession payments for the Express Rail Link

#### (i) General

The additional concession payments to be made by the Company to KCRC and by KCRC to the Company in respect of the Express Rail Link (described below) have been designed to reflect the requirements under the Existing Integrated Operating Agreement, inter alia, for the Company to retain 10% of the currently expected positive discounted net cash flow from the operation of the Express Rail Link (being discounted at a discount rate which reflects the Company’s commercial rate of return in relation to the Express Rail Link).

The SSCA provides for the fixed annual payments and variable annual payments structure for the additional concession payments, to reflect the current concession payments structure for the existing KCRC system under the Existing Service Concession Agreement.

The additional concession payments for the Express Rail Link are in addition to, and do not replace, the payments made in respect of the existing KCRC system under the Existing Service Concession Agreement.

#### (ii) Variable annual payments

The variable annual payments (being payments by the Company to KCRC) will be calculated in the same manner prescribed under the Existing Service Concession Agreement whereby the Company pays to KCRC, for each financial year, a certain percentage of the revenue generated from the KCRC system (being 35% for revenues generated from the KCRC system that are beyond the first HK\$7.5 billion).

For the purposes of calculating the variable annual payments, the revenue generated from the KCRC system shall include the actual revenue from the Express Rail Link fares received or retained by the Company and revenue derived from businesses

related to the Express Rail Link which may include, without limitation, advertising, telecommunications, duty free and kiosk rental.

(iii) Fixed annual payments for the Express Rail Link

In light of the variable annual payments described in paragraph (ii) above and in order for the Company to be able to retain 10% of the currently expected positive discounted net cash flow from the operation of the Express Rail Link as described above, the fixed annual payments shall comprise payments from KCRC to the Company which, in aggregate, over the Concession Period (Express Rail Link), will be equal to HK\$7,965 million.

These fixed annual payments shall be without prejudice to the Company's obligation to pay the fixed annual payments of HK\$750 million each financial year to KCRC under the Existing Service Concession Agreement.

• Revenue-related arrangements

In addition, the SSCA contains the following revenue-related arrangements:

(i) Patronage adjustment

In respect of actual deviations from the current patronage projections for the Express Rail Link:

- (a) any excess or shortfall in actual patronage of up to 15% in relation to the currently projected patronage for the Express Rail Link will be borne by the Company; and
- (b) any excess or shortfall in actual patronage greater than 15% in relation to the currently projected patronage for the Express Rail Link will be borne between the Company and KCRC in the proportions of 30% by the Company and 70% by KCRC.

(ii) Incremental revenue adjustment

In respect of actual deviations from the currently projected patronage for the Company's existing cross-boundary services to and from Lo Wu and Lok Ma Chau, and the existing intercity service, the Company may receive two payments from KCRC (in respect of the period from and including the Commercial

Operation Date (Express Rail Link) up to and including 31 December 2023 and in respect of the period from and including 1 January 2024 up to and including the day falling immediately before the tenth anniversary of the Commercial Operation Date (Express Rail Link), respectively) and which will be capped at HK\$500 million and HK\$1,000 million, respectively.

(iii) Mainland discount programme loss

In respect of revenue loss resulting from the Mainland Student Ticket Discount and the Mainland Disabled Military/Police Officer Discount programmes adopted by the Mainland operator, the Company will receive reimbursement payments from KCRC on an annual basis.

KCRC and the Company will also discuss in good faith similar reimbursement arrangements should the Mainland operator introduce any other discount programmes in future.

(iv) Service fees subsidy

In respect of the proportion of the service fee charged in respect of tickets sold at West Kowloon Station for journeys originating from and terminating at any railway station in the Mainland which Government has directed should be borne by the Company, the Company will receive reimbursement payments from KCRC on an annual basis.

• Pre-operating costs reimbursements

In addition, KCRC shall reimburse the Company for the pre-operating costs that are agreed between the Company and KCRC, being costs and expenses reasonably incurred by the Company prior to the Commercial Operation Date (Express Rail Link) that satisfy all of the following criteria:

- (i) that directly resulted from the planning and commencement of the operation of the relevant Express Rail Link assets;
- (ii) that have not already been paid, and will not be paid or payable, by Government to the Company under any relevant agreement or which the Company and Government otherwise agree in writing should be treated as a pre-operating cost;



- (iii) that are not covered in any of the payments to be made by KCRC to the Company under the SSCA; and
- (iv) that fall within certain other types of agreed costs and expenses in connection with the operation of the Express Rail Link (including, mobilisation activities in preparation for the opening of the Express Rail Link and trial operations prior to the opening of the Express Rail Link, and other items as may be agreed between KCRC and the Company).

- Equalisation payment

If the franchise is revoked by Government prior to 31 December 2023, KCRC is required to make a payment to the Company of an amount that is equivalent to the aggregate fixed annual payment payable by KCRC over the ten year life of the concession, reduced pro rata to take account of the time at which termination occurs, and less any amounts of the fixed annual payment already paid to the Company. The intention of this equalisation payment is to ensure that the Company is partly protected in the event of early termination of the concession in respect of the Express Rail Link.

- Express Rail Link services

The Company is obliged to operate the Express Rail Link during the Concession Period (Express Rail Link) to the standards prescribed in the MTR Ordinance and the Existing Operating Agreement (subject as otherwise stated herein). The Company is not regarded as having failed to meet a requirement under the MTR Ordinance or the Existing Integrated Operating Agreement if the failure has resulted from anything done or omitted to be done by the Mainland operator, any Mainland authority or persons directly under their control.

- Return requirements

If the Concession Period (Express Rail Link) expires or is terminated, the Company shall, at no cost to KCRC, redeliver possession of the Express Rail Link concession property.

## IV Non-Governmental Continuing Connected Transactions

The following disclosures, in paragraphs A and B below (together, the “Non-Governmental Continuing Connected

Transactions”) are made in accordance with Rule 14A.71 of the Listing Rules.

### A Contract 903 between the Company and LCAL relating to certain works on the South Island Line (East)

As explained above, LCAL is a “connected person” of the Company within the meaning of Chapter 14A of the Listing Rules. Contract 903 (as defined below) is therefore a “continuing connected transaction” within the meaning of Rule 14A.31 of the Listing Rules.

On 17 May 2011, the Company and LCAL entered into Contract 903 (as amended by a supplemental agreement on 14 November 2014) (the “Contract 903”) for the construction of certain works relating to the Aberdeen Channel Bridge, Wong Chuk Hang Station and Ocean Park Station in respect of the South Island Line (East) (the “Contract 903 Works”).

Contract 903 is in substantially the same form as the Company’s standard conditions of contract for target cost construction and contains the following provisions:

- the principal obligation of LCAL under Contract 903 is the construction of the Contract 903 Works;
- LCAL shall indemnify the Company against any loss or expense sustained by the Company and against all losses and claims in respect of death or injuries or damage to any person or property whatsoever which may arise out of or in consequence of the execution of the Contract 903 Works and against all claims, proceedings, damages, costs, charges and expenses whatsoever in respect of or in relation thereto, except for compensation or damages related to the permanent use or occupation of land by the Contract 903 Works, or the right of the Company to execute the Contract 903 Works on any part of the land, or on account of any negligence by the Company, its agents, servants or other contractors, not being employed by LCAL;
- LCAL shall indemnify the Company against all damages and compensation and against all claims, demands, proceedings, costs, charges and expenses whatsoever in respect of any damages or compensation payable at law in respect of or in consequence of any accident, injury or illness to any workman or other person in the employment of LCAL or its sub-contractors or suppliers arising out of and in the course of such employment;

- LCAL shall effect and maintain insurance with a limit of not less than HK\$200 million in relation to certain of its liabilities;
- a bond issued by Chartis Insurance Hong Kong Limited will be provided to the Company in respect of the obligations of LCAL under Contract 903;
- LCAL's liability to indemnify the Company is reduced proportionally to the extent that any act or neglect of the Company, the Engineer or any other person employed by the Company in connection with the Contract 903 Works, their respective agents, employees or representatives, may have contributed to the relevant death, illness, or damage. The total liability of LCAL to the Company for all damages (liquidated damages and general) for delay shall not exceed 10% of the target cost plus fees as calculated under Contract 903;
- the total amount payable by the Company to LCAL under Contract 903 includes costs for the Contract 903 Works and fees to LCAL. From time to time the scope of the Contract 903 Works may vary and the Company will be obliged to revise the fees payable to LCAL in accordance with the terms of the Contract;
- the Company is obliged to pay the costs for the Contract 903 Works to LCAL on a scheduled basis set out in Contract 903. If the final total cost of the Contract 903 Works exceeds or is less than the target cost for the Works, the deficit or, as the case may be, the excess will be borne by or, as the case may be, distributed to the Company and LCAL on a basis calculated in accordance with Contract 903;
- the maximum aggregate amount payable annually by the Company under Contract 903 is approximately HK\$1,400 million. As payments by the Company to LCAL are paid on a scheduled basis as set out in Contract 903, the maximum aggregate annual amount is set by reference to the highest amount payable by the Company in any given year under such schedule;
- the Company is obliged to effect "Contractor's All Risks" and "Third Party Liability" insurance with a third party liability limit of not less than HK\$700 million. In addition, LCAL has agreed to separately purchase additional cover for "Third Party Liability" insurance in the amount of HK\$3,638 million; and

- the Company may at any time, by giving 30 days' notice in writing to LCAL, terminate Contract 903 but without prejudice to any claims by the Company for breach of contract.

### **B Contract 904 between the Company, LCAL and JHL relating to certain works on the South Island Line (East)**

As explained above, each of LCAL and JHL is a "connected person" of the Company within the meaning of Chapter 14A of the Listing Rules. Contract 904 (as defined below) is therefore a "continuing connected transaction" within the meaning of Rule 14A.31 of the Listing Rules.

On 17 May 2011, the Company, LCAL and JHL (LCAL and JHL being "the Contractors") entered into Contract 904 (as amended by a supplemental agreement on 7 June 2013 and a second supplemental agreement on 19 December 2018) (the "Contract 904") for the construction of certain works relating to Lei Tung Station and South Horizons Station in respect of the South Island Line (East) (the "Contract 904 Works"). The final payment certificate was issued on 19 December 2018.

Contract 904 is in substantially the same form as the Company's standard conditions of contract for engineering works and contains the following provisions:

- the principal obligation of the Contractors is the construction of the Contract 904 Works. The obligations of the Contractors under Contract 904 are joint and several;
- the Contractors shall indemnify the Company against any loss or expense sustained by the Company and against all losses and claims in respect of death or injuries or damage to any person or property whatsoever which may arise out of or in consequence of the execution of the Contract 904 Works and against all claims, proceedings, damages, costs, charges and expenses whatsoever in respect of or in relation thereto, except for compensation or damages related to the permanent use or occupation of land by the Contract 904 Works, or the right of the Company to execute the Contract 904 Works on any part of the land, or on account of any negligence by the Company, its agents, servants or other contractors, not being employed by the Contractors;
- the Contractors shall indemnify the Company against all damages and compensation and against all claims,

demands, proceedings, costs, charges and expenses whatsoever in respect of any damages or compensation payable at law in respect of or in consequence of any accident, injury or illness to any workman or other person in the employment of the Contractors or their subcontractors or suppliers arising out of and in the course of such employment;

- the Contractors shall effect and maintain insurance with a limit of not less than HK\$200 million in relation to certain of its liabilities;
- a bond issued by Chartis Insurance Hong Kong Limited will be provided to the Company in respect of the obligations of the Contractors under Contract 904;
- the Contractors' liability to indemnify the Company is reduced proportionally to the extent that any act or neglect of the Company, the Engineer or any other person employed by the Company in connection with the Contract 904 Works, their respective agents, employees or representatives, may have contributed to the relevant death, illness, or damage;
- the total liability of the Contractors to the Company for all damages (liquidated damages and general) for delay shall not exceed 10% of the contract sum under the Contract;
- the total amount payable by the Company to the Contractors under Contract 904 is the Contract Sum. From time to time the scope of Works may vary and the Company will be obliged to revise the Contract Sum in accordance with the terms of Contract 904;
- the maximum aggregate amount payable annually by the Company under Contract 904 is approximately HK\$1,400 million. As payments by the Company to the Contractors are paid on a scheduled basis as set out in Contract 904, the maximum aggregate annual amount is set by reference to the highest amount payable by the Company in any given year under such schedule;
- the Company is obliged to effect "Contractor's All Risks" and "Third Party Liability" insurance with a third party liability limit of not less than HK\$700 million. In addition, the Contractors have agreed to separately purchase additional cover for "Third Party Liability" insurance in the amount of AU\$485 million; and
- the Company may at any time, by giving 30 days' notice in writing to the Contractors, terminate Contract 904

but without prejudice to any claims by the Company for breach of contract.

In relation to the Merger-related Continuing Connected Transactions, the Non Merger-related Continuing Connected Transactions, the Continuing Connected Transactions relating to the Operation of the Express Rail Link and the Non-Governmental Continuing Connected Transactions (collectively "Transactions") and in accordance with (i) in the case of the Merger-related Continuing Connected Transactions, paragraph B(I)(i) of the Merger-related Waiver; (ii) in the case of the Non Merger-related Continuing Connected Transactions, paragraph B(I)(iii)(a) of the Waiver; (iii) in the case of the Continuing Connected Transactions relating to the Operation of the Express Rail Link, paragraph B(I)(i) of the Merger-related Waiver and paragraph B(I)(iii)(a) of the Waiver; and (iv) in the case of the Non-Governmental Continuing Connected Transactions, Rule 14A.55 of the Listing Rules, the Company confirms that the Independent Non-executive Directors of the Company have reviewed and confirmed that each of the Transactions was entered into:

- (1) in the ordinary and usual course of business (within the meaning of the Listing Rules) of the Group;
- (2) on normal commercial terms or better (within the meaning of the Listing Rules); and
- (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company has engaged the auditors of the Company to carry out a review of the Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with (i) in the case of the Merger-related Continuing Connected Transactions, paragraph B(I)(ii) of the Merger-related Waiver; (ii) in the case of the Non Merger-related Continuing Connected Transactions, paragraph B(I)(iii)(b) of the Waiver; (iii) in the case of the Continuing Connected Transactions relating to the Operation of the Express Rail Link, paragraph B(I)(ii) of the Merger-related Waiver and paragraph B(I)(iii)(b) of the Waiver;

and (iv) in the case of the Non-Governmental Continuing Connected Transactions, Rule 14A.56 of the Listing Rules, the auditors have provided a letter to the Board confirming that:

- (a) nothing has come to their attention that causes them to believe that any of the Transactions has not been approved by the Board;
- (b) nothing has come to their attention that causes them to believe that any of the Transactions was not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

in the case of the Non-Governmental Continuing Connected Transactions, in addition, that:

- (c) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that such transactions were not, in all material respects, in accordance with the pricing policies of the Group; and
- (d) with respect to the aggregate amount of each of such transactions, nothing has come to their attention that causes them to believe that such transactions have exceeded the relevant annual caps as set by the Company in respect of each of such transactions.

### Additional Information in respect of the Rail Merger

The Rail Merger consisted of a number of separate agreements, each of which was detailed in the circular issued by the Company on 3 September 2007 in connection with the Rail Merger, and which together formed a complete package deal which was approved by the independent shareholders of the Company at an Extraordinary General Meeting held on 9 October 2007. The information set out at paragraph A below describes the payment framework adopted in respect of the Rail Merger and paragraphs B to E below set out, summaries of the various agreements entered into by the Company in respect of the Rail Merger in addition to those agreements disclosed above under the heading "Merger-related Continuing Connected Transactions".

### A Payments in connection with Merger-related Agreements

In connection with the Rail Merger, the following initial payments were made by the Company to KCRC on 2 December 2007 (being the Merger Date):

- an upfront payment of HK\$4.25 billion, payable under the Service Concession Agreement (as described in paragraph B below), being the upfront fee for the right to operate the Service Concession (as defined in paragraph B below) and the consideration for the purchased rail assets; and
- an upfront payment of HK\$7.79 billion payable under the Merger Framework Agreement (as described on pages 184 to 185) in consideration for the execution of the Property Package Agreements (as described on pages 185 to 187 and in paragraph E below) and the sale of the shares in the KCRC Subsidiaries (as defined on page 185) that were transferred to the Company under the Sale and Purchase Agreement which was entered into on 9 August 2007 between the Company and KCRC.

In addition to the initial payments above, the Company is also required to make the following payments to KCRC going forward:

- fixed annual payments of HK\$750 million payable under the Service Concession Agreement, for the right to use and operate the concession property for the operation of the service concession, in arrears on the day immediately preceding each anniversary of the Merger Date which falls during the concession period in respect of the 12 month period up to and including the date on which such payment falls due; and
- variable annual payments payable under the Service Concession Agreement, for the right to use and operate the concession property for the operation of the service concession, in each case, calculated on a tiered basis by reference to the amount of revenue from the KCRC system (as determined in accordance with the Service Concession Agreement) for each financial year of the Company. No variable annual payment is payable in respect of the first 36 months following the Merger Date.

As a complete package deal, other than the payment elements described above and unless stated otherwise in the relevant paragraph below, no specific allocation was made between the various elements of the Rail Merger.

## B Service Concession Agreement

The Service Concession Agreement was entered into on 9 August 2007 between the Company and KCRC.

The Service Concession Agreement contains provisions in relation to the grant and operation of a service concession and licence granted by KCRC to the Company (the "Service Concession"), including in relation to:

- the grant of the Service Concession to the Company to access, use and operate the concession property (other than KCRC railway land referred to immediately below) to certain specified standards;
- the grant of a licence to access and use certain KCRC railway land;
- the term (being an initial period of 50 years from the Merger Date) of the Service Concession and redelivery of the KCRC system upon expiry or termination of the concession period. The Service Concession will end if the Company's franchise relating to the KCRC railway is revoked;
- the payments of an upfront payment of HK\$4.25 billion and fixed annual payments and variable annual payments (as described in paragraph A above);
- KCRC remaining the legal and beneficial owner of the concession property as at the Merger Date and the Company being the legal and beneficial owner of certain future concession property (the "Additional Concession Property");
- the regime for compensation payable by KCRC to the Company if Additional Concession Property is returned to KCRC at the end of the concession period;
- the rights and restrictions of the Company and KCRC in relation to the concession property; and
- subject to certain conditions, the Company bearing all risks, liabilities and/or costs whatsoever associated with or arising from the concession property and the land on which any of the concession property is located during the concession period.

On 23 August 2018, the Company and KCRC entered into the SSCA in order for KCRC to grant a concession to the Company in respect of the Express Rail Link and to prescribe the operational and financial requirements that will apply to the Express Rail Link. Further details are set out in the section

above headed "III Continuing Connected Transactions relating to the Operation of the Express Rail Link" in the section headed "Continuing Connected Transactions".

## C Sale and Purchase Agreement

The Sale and Purchase Agreement was entered into on 9 August 2007 between the Company and KCRC.

The Sale and Purchase Agreement provides the terms pursuant to which the Company acquired certain assets and contracts (the "Purchased Rail Assets") from KCRC.

The consideration for the sale of the Purchased Rail Assets (excluding the shares in the KCRC Subsidiaries) formed part of the upfront payment of HK\$4.25 billion. The consideration for the sale of the shares in the KCRC Subsidiaries (which own the Category 1A Properties referred to at paragraph E below and act as property managers) formed part of the payment of HK\$7.79 billion for the property package (as described in paragraph A above and in paragraph E below).

## D Operating Agreement

The Operating Agreement was entered into on 9 August 2007 between the Company and the Secretary for Transport and Housing for and on behalf of Government as contemplated in the MTR Ordinance.

The Operating Agreement is based on the previous Operating Agreement which was signed on 30 June 2000. The Operating Agreement differs from the previous Operating Agreement to provide for, amongst other things, the nature of the combined MTRC railway and KCRC railway. The Operating Agreement includes terms relating to:

- the extension of the Company's franchise under the MTR Ordinance;
- the design, construction and maintenance of the railway;
- passenger services;
- a framework for the award of new projects and the operation and ownership structure of new railways;
- the adjustment mechanism to be applied to certain of the Company's fares; and
- compensation which may be payable under the MTR Ordinance to the Company in relation to a suspension, expiry or termination of the franchise.



Under the Operating Agreement, the fare adjustment mechanism is subject to review periodically. The first of such reviews was undertaken in 2013 and the second was conducted in 2017. The Company and Government agreed on 16 April 2013 to amend the fare adjustment mechanism. On 21 March 2017, the Company announced that it and Government had agreed to maintain the fare adjustment mechanism formula and direct-drive nature of such formula, save for certain consequential changes as a result of the review of the formula having been advanced by one year. In addition, the wider terms of the Operating Agreement are subject to review every five years and such a review was also undertaken in 2013. As a result of such review, the Company and Government agreed measures in enhancing communication and liaison on operational arrangements.

On 23 August 2018, the Company and the Secretary for Transport and Housing, for and on behalf of Government, entered into the AOA to amend and supplement the Integrated Operating Agreement dated 9 August 2007, as amended, in order to prescribe the operational requirements that would apply to the Express Rail Link. Further details are set out in the section above headed “III Continuing Connected Transactions relating to the Operation of the Express Rail Link” in the section headed “Continuing Connected Transactions”.

### **E Additional Property Package Agreements**

#### *Category 1A Properties*

The Category 1A Properties are held by the KCRC Subsidiaries. Under the terms of the Sale and Purchase Agreement, the Company acquired from KCRC the shares in the KCRC Subsidiaries (and thereby indirectly acquired the “Category 1A Properties”).

#### *Category 1B Properties*

On 9 August 2007, KCRC and the Company entered into an agreement for sale and purchase under which KCRC agreed to assign certain properties (the “Category 1B Properties”) to the Company on the Merger Date. The relevant assignment was executed between KCRC and the Company on 2 December 2007.

#### *Category 4 Properties*

On 9 August 2007, Government entered into an undertaking that it would, within periods to be agreed between the Company and Government, offer to the Company a private

treaty grant in respect of certain development sites (the “Category 4 Properties”). The terms of each private treaty grant shall generally be determined by Government, and the premium for each private treaty grant shall be assessed on a full market value basis ignoring the presence of the railway other than the Tin Shui Wai Terminus, Light Rail, Yuen Long, New Territories.

On 9 August 2007, the Company issued a letter to KCRC confirming that, if there should be any railway premises on the Category 4 Properties, the Company would assign the railway premises to KCRC.

#### *Metropolis Equity Sub-participation Agreement*

The Metropolis Equity Sub-participation Agreement was entered into on 9 August 2007 between KCRC and the Company. KCRC is obliged to act on the Company’s instructions, and pay to the Company any distributions, or proceeds of sale, relating to its shareholding in the property management company The Metropolis Management Company Limited (“Metropolis”). The issued share capital of Metropolis is 25,500 A shares (which are held by KCRC) and 24,500 B shares (which are held by Cheung Kong Property Management Limited). Metropolis’ business is property management.

### **F Application of Merger-related Waiver**

In relation to the Operating Agreement and the Service Concession Agreement, pursuant to paragraph A of the Merger-related Waiver, the Stock Exchange granted a waiver to the Company from strict compliance with all the continuing connected transaction requirements of Chapter 14A of the Listing Rules.

## **CAPITAL AND REVENUE EXPENDITURE**

There are defined procedures for the appraisal, review and approval of major capital and revenue expenditures. All project expenditures over 0.2% of the net assets of the Company and the employment of consultancy services over 0.1% of the net assets of the Company require the approval of the Board.

## **REPORTING AND MONITORING**

There is a comprehensive budgeting system for all operational and business activities, with an annual budget approved by the Board. Monthly results of the Company’s operations, businesses and projects are reported against the

budget to the Board and updated forecasts for the year are prepared regularly.

## TREASURY MANAGEMENT

The Company's Treasury Department operates within approved guidelines from the Board. It manages the Company's debt portfolio with reference to the Preferred Financing Model which defines the preferred mix of financing instruments, fixed and floating rate debt, maturities, interest rate risks, currency exposure and financing horizon. The model is reviewed and refined periodically to reflect changes in the Company's financing requirements and the market environment. Derivative financial instruments such as interest rate swaps and cross currency swaps are used only as hedging tools to manage the Group's exposure to interest rate and currency risks. Prudent guidelines and procedures are in place to control the Company's derivatives activities, including a comprehensive credit risk management system for monitoring counterparty credit exposure using the Value-at-Risk approach. There is also appropriate segregation of duties within the Company's Treasury Department.

Major financing transactions and guidelines for derivatives transactions, including the credit risk management framework, are approved at the Board level.

## COMPUTER PROCESSING

There are defined procedures, controls and regular quality reviews on the operation of computer systems to ensure the accuracy and completeness of financial records and efficiency of data processing. The Company's computer centre operation and support, help desk operation and support services, and also software development and maintenance, have been certified under ISO 9001:2015. Disaster recovery rehearsal on critical applications is conducted annually. For cyber security, the Company has been certified with ISO 27001:2013 on the Information Security Management System that complies with the required standard for the comprehensive scope of IT services operation. The Corporate Cyber Security Committee sets the direction, strategy, and policies related to cyber security for the Company. It steers and oversees the management and performance of all matters relating to cyber security. Various security controls

have been implemented and are reviewed regularly to protect the Company from cyber-attacks.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the statutes, the Company will indemnify every Director of the Company out of its own assets against any liability incurred by him/her in the execution of his/her office in defending any civil or criminal proceedings. The relevant Article was in force during the year ended 31 December 2018 and on 7 March 2019 when this Report was approved. To ensure sufficient coverage is provided, the Company undertakes an annual review of the Directors' and Officers' liability insurance policy of the Company (the "D&O Insurance Policy") in light of recent trends in the insurance market and other relevant factors. The D&O Insurance Policy also indemnifies the other directors within the Group.

## GOING CONCERN

The Consolidated Accounts on pages 211 to 306 have been prepared on a going concern basis. The Board has reviewed the Group's budget for 2019, together with the longer-term forecast for the following five years and is satisfied that the Group has sufficient resources to continue as a going concern for the foreseeable future.

## AUDITORS

The retiring auditors, KPMG, have signified their willingness to continue in office. A resolution will be proposed at the forthcoming AGM to reappoint them and to authorise the Directors to fix their remuneration.

For and on behalf of the Board

Gillian Elizabeth Meller  
Company Secretary  
Hong Kong, 7 March 2019

## DIRECTORS OF SUBSIDIARY UNDERTAKINGS

The directors of the subsidiary undertakings of the Company during the year and up to the date of this Report (unless otherwise stated) are listed below:

Name	Director	Alternate Director	Name	Director	Alternate Director
Azzi, Ron	√		Leung Cho-tak, Joseph*		√
Bailie, William Paul	√		Leung Kwong-ho*	√	
Bourke, Chris	√		Leung Nga-yee, Theresa*	√(Resigned)	
Breslin, Malachy	√		Leung Ping-kin	√(Resigned)	
Butcher, Stephen Anthony*		√	Leung Yiu-fai, David	√	
Chan Chi-fai, Andrew*	√		Lezala, Andrew Peter*	√(Resigned)	
Chan Chi-kun	√		Li Sau-lin, Linda*		√
Chan Wai-man, Raymond*	√	√	Lo Yiu-cho		√
Chan Yuen-ping*	√		Long, Jeremy Paul Warwick*	√	
Dr Chan Yuen Tak-fai, Dorothy	√		Luk Koon-hoo*	√	
Cheng Ka-lai, Lily*	√		Lung Tze-ho*	√	√
Cheng Wai-ching, Margaret*	√		Luo Jiancheng	√	
Cheung Man-ki*	√		Professor Ma Si-hang, Frederick	√	
Cheung Siu-wa, Morris*	√(Resigned)		McCusker, Andrew*	√	
Cheung Yiu-tong*	√		McKenzie, Andrew Charles*		√
Choi Tak-tsan*		√	Meller, Gillian Elizabeth*	√	
Chow Chiu-wai*		√	Meyer, Peter*	√	
Chow Chun-ling*	√		Moros, Tony Antonio	√	
Chu Fung-kuen, Margaret	√		Mortier, Jeremy*	√	
Collis, Charles G.	√		Murphy, Stephen John	√	
Damm, Bo Fredrik	√		Mylvaganam, Deva Rajan*	√	
Downie, Brian Francis*	√	√	Nelson, Michael John*	√	
Eldon, David Gordon*	√		Ng Chi-kwong*	√	
Espinoza Ceballos, Natalia		√	Nilsson, Per Håkan Lennart*	√	
Dr Ewen, Peter Ronald	√		Norris, Mark Frederick*	√	
Dr Fong Ching, Eddy	√		O'Flaherty, Raymond Anthony	√	
Fu Oi-yu*	√		Olsen, Scott	√	
Fung Wai-yee*	√		Oscarsson, Karl Johan	√	
Hamilton, Alexander Reid*	√(Resigned)		Pang Hoi-hing*	√	
Hayward, Darren	√		Pira, Tomas*	√(Resigned)	
Hellners, Karl Erik Hjalmar*	√		Qian Yu-hong	√	
Ho Ho-wai, Roger*	√		Rooney, Aidan Gerald*	√(Resigned)	
Ho Ka-wa*	√		Rubalcaba, Raquel	√	
Ho Sai-kei, William*	√		Seabury, Gary George*		√(Resigned)
Ho Yuk-wing*		√	Seto Siu-wah, Lisa*	√	√
Hor Wai-hong	√		Shao Jianming	√	
Houghton, Michael David	√(Resigned)		Shen Linchong	√	
Hui Leung-wah, Herbert*	√		Suen Yiu-tat	√	
Jackson, David	√		Tang Chi-fai, David*	√	√
Jensen, Frederik Mark*	√		Viinapuu, Hans Peter*	√(Resigned)	
Jiang Guojuan	√(Resigned)		Wan Chi-wah	√(Resigned)	
Jim Kwok-wah*	√	√	Warren, Nicholas P.	√(Resigned)	
Johnson, Glenn H.		√(Resigned)	Waymark, Leah Nicole	√	
Jones, Niel L.		√	Wennerberg, Matti Sigfrid Hasse	√	
Dr Kam Chak-pui, Jacob*	√		Wong Chi-chung	√(Resigned)	
Kam Chi-sum*	√		Dr Wong Chi-yun, Allan	√	
Kee Wing-man, Denise		√(Resigned)	Wong Ho-leung*	√	
Keefe, Richard Michael*	√(Resigned)		Wong Kin-wai*	√	
Kennedy, Paul Michael*	√		Wong Kwan-wai, Sammy*	√	
Kwan Mun-yee, Stella*	√(Resigned)		Wong Ping-sau*	√	
Kwok Ka-keung*		√	Wong Wing-kin	√	
Kwok Lai-kay, Lena*	√	√	Wood, Martin	√	
Kwong Chung-hing*		√	Xia Jing	√	
Lai Ching-kai	√		Xu Muhan*	√	
Lau Ping-cheung, Kaizer	√		Yam Pak-nin*	√	√
Lau Tin-shing, Adi*	√		Yeung Mei-chun, Jeny*	√	
Lau Wai-ming*	√		Yip King-sang, Andy*	√	
Law Sui-wah*	√(Resigned)		Young Ka-fan, Glen		√
Lee Kar-yun*	√		Yu Hon-kit, Henry	√(Resigned)	
Lee Wai-ying	√		Yuen Lai-ki*	√	
Lee Yuen-ling*	√		Yuen Lap-hang	√	√(Resigned)
Leong Kwok-kuen, Lincoln*	√		Zhu Chunlei	√	

\* Person who serves as a director and/or an alternate director in more than one subsidiary undertaking.