

CHAIRMAN'S LETTER



Composite photograph at To Kwa Wan Station

Dear Shareholders and other Stakeholders,

As I get close to the completion of my third year at the Board, I have been reflecting on the many profound changes that have taken place at MTR Corporation and around the world.

When I arrived, one of our most important tasks was to deepen MTR's commitments to robust corporate governance, environmental stewardship and social responsibility in order to strengthen the Company's operations and relationships with the community. I am glad to report that good progress has been made thus far. A clear example is MTR's response to the upheavals of the COVID-19 pandemic, which may continue well into 2022, during which we have acted responsively to help citizens and businesses manage the unprecedented challenges they face. At the same time, we have continued with our work to ensure that MTR evolves as an innovative, forward-thinking organisation providing reliable, affordable, environmentally friendly mass transit services, no matter the circumstances.

Despite on-going business disruptions and uncertain operational environments, especially with the prevailing Omicron wave of infections, we can still look back on all these and a number of other accomplishments in 2021 with satisfaction. I continue to be inspired by my colleagues' steadfast dedication to achieving excellence in all facets of our operations and keeping cities around the world moving, be it in favourable or difficult times.

CORPORATE STRATEGY

In 2020, we launched our Corporate Strategy, “Transforming the Future”, to chart the way towards mutually beneficial, sustainable growth for the Company and the communities it serves. We have since taken great strides in making this strategy an integral part of our corporate structure, culture and business operations.

Our Corporate Strategy sets out how we are integrating robust environmental, social and governance (“ESG”) principles backed by a steadfast commitment to our three pillars: our core Hong Kong Businesses, our Mainland China and International Businesses, and New Growth Engine in areas such as emerging railway technology, Mobility-as-a-Service applications and more. Over the past year, we have been diligently implementing this strategy to help achieve organisation-wide transformation, enhance the Company’s ESG capabilities and strengthen our ability to respond effectively to issues. In the coming months and years, we will be focusing intently on accelerating digitalisation and exploring innovations that can enhance our core businesses; developing our New Growth Engine to power MTR well into the future; and further incorporating ESG into our business strategies and decisions.

BUSINESS PERFORMANCE AND GROWTH

I am proud to report that MTR accomplished a number of notable achievements during the year under review. The full Tuen Ma Line commenced service in June 2021, providing a 56-km railway to link communities across the city. We continue to advance the construction of the Hung Hom to Admiralty section of the Shatin to Central Link; the opening of this East Rail Line cross-harbour extension is now targeted for June/July 2022. We are also progressing with the planning and design of several new railway projects under Government’s Railway Development Strategy 2014, works that will greatly enhance Hong Kong’s rail connectivity. The delivery of these new projects is still subject to our entering into project agreements with Government.

In our property business, we awarded two development packages that should add over a thousand residential units to the local market, underscoring our support of Government’s housing objectives. Our Mainland China and International Businesses also scored notable results in 2021. Services for the full Beijing Metro Line 14 and the

initial phase of Beijing Metro Line 17 commenced towards the end of the year. We also took over Mälartåg regional traffic operations in Sweden in December 2021. Meanwhile, we continued to seek further growth opportunities in Mainland China and overseas that can expand our business portfolio and promote the MTR brand outside Hong Kong.

We welcomed the news of the Northern Metropolis Development Strategy that was announced by the Chief Executive in her annual Policy Address in October 2021. This initiative will be instrumental to Hong Kong’s future urban development and its economic integration with the Greater Bay Area. We have pledged to support Government and contribute our expertise in railway construction and operations where needed to assist in the city’s long-term growth.

With all that we were able to accomplish in 2021, and the numerous potential opportunities in the pipeline, there is a promising outlook for MTR and the communities it serves.

FINANCIAL PERFORMANCE

Domestic patronage and retail traffic improved in 2021 because of increased containment of COVID-19, higher vaccination levels and the relaxation of certain anti-pandemic measures, leading to improved overall results compared to 2020. However, boundary closures and a number of anti-pandemic measures remained in place, which continued to adversely impact financial performance in areas such as fare revenue, Duty Free Shops and rental reversions.

Profit from our recurrent businesses was HK\$1,808 million. Together with the profit from our property development businesses, which increased by 69.7% to HK\$9,343 million, profit from our underlying business was HK\$11,151 million, or 154.5% higher than that of 2020. Including the loss arising from fair value measurement of investment properties, net profit attributable to shareholders of the Company in 2021 was HK\$9,552 million, equating to earnings per share of HK\$1.55. The Board has proposed a final ordinary dividend of HK\$1.02 per share, which together with the interim dividend of HK\$0.25 per share will bring the full-year dividend to HK\$1.27 per share (2020: HK\$1.23 per share).

We are pleased that Capital Finance International named MTR the winner of its “Best Public Service Financial Management Team Hong Kong 2021” award. The Company was recognised for its ability to deliver

consistent dividends despite the pandemic through proactive financial management and a diversified business model, and for investing billions of dollars in new projects to drive socioeconomic development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As one of the world's top providers of environmentally friendly mass transit, we feel we have a duty to lead by example in areas that can make lasting positive impacts on society. Our Corporate Strategy sets out three primary social and environmental objectives for the betterment of the Company and the communities where it operates – reducing Greenhouse Gas Emissions, promoting Social Inclusion, and fostering Advancement & Opportunities – backed by clear commitments for each objective that give focus to our efforts and help us achieve meaningful results. Our steadfast adherence to world-class standards of corporate governance underpins these efforts, driving high levels of accountability, transparency and responsibility for the benefit of our shareholders and stakeholders.

Greenhouse Gas Emissions Reduction

MTR is committed to managing its environmental footprint and achieving carbon neutrality, and the Company continued to make good progress in these regards. In 2021, HK\$4.8 billion in green finance was arranged under our Sustainable Finance Framework to support our own sustainable development by funding projects that can conserve energy, protect the environment, and enhance and expand low-carbon railway services. We were also presented with the "Outstanding Award for Green and Sustainable Bond Issuer (Transportation Industry) – Largest Single Green Bond" in the Hong Kong Green and Sustainable Finance Awards 2021 organised by the Hong Kong Quality Assurance Agency. Additionally, we have installed new solar photovoltaic systems at Hin Keng Station as a trial project to further promote Greenhouse Gas reduction.

The Company is keenly aware of the threat of climate change and the importance of reducing its carbon output. Recently, we completed a comprehensive carbon reduction study that will help us set science-based reduction targets for 2030 with an aim at achieving carbon neutrality by 2050. We aim to meet these targets via several initiatives, such as investing in the latest green technologies, adopting innovations that enhance work efficiency, and partnering with key stakeholders, particularly Hong Kong's electricity suppliers.

We have also been active in waste reduction initiatives. In 2021, we participated in the Environmental Protection Department's Reverse Vending Machine ("RVM") pilot scheme, which incentivises people to collect used plastic beverage containers for recycling through instant rebates.

RVMs have been installed at Telford Plaza, Paradise Mall, Admiralty Centre, Maritime Square and The LOHAS.

Social Inclusion

Art is an integral part of MTR journeys. The range of artworks on display at our stations enliven the passenger experience and help popularise art in the community. Last year, we launched a new initiative to make "Art in MTR" inclusive for all, through a partnership with the Arts with the Disabled Association Hong Kong to showcase photos taken at Hong Kong West Kowloon Station by visually impaired photographers. The photos were displayed in Central Station. Arts accessibility services such as audio descriptions and braille information were also provided at the exhibition. We also partnered with the Hong Kong Ballet to present "The Ballet Encounters @ MTR", a video series that combined dance and a station art setting to enable members of the community to appreciate multiple art forms at a glance. In addition, we hosted art displays at our stations under the "Art in MTR" programme and showed works from the Hong Kong Museum of Art as part of the "Art for Everyone @ HKMoA" campaign.

We are very proud of our on-going efforts in social outreach. Every year, MTR volunteers dedicate their time and commitment to serve our communities under the Company's "More Time Reaching Community" Scheme. In 2021, these efforts ramped up with 95 volunteer projects involving 1,730 participating volunteer headcount. In September, The Community Chest recognised MTR as one of its top 10 Donors of the Year for raising more than HK\$2 million.

To help enhance staff awareness of the special needs of different groups within our community, we collaborated with community partners to organise online talks and follow-up volunteering activities in order to foster an inclusive culture within the Company.

MTR also remains firmly committed to providing equal employment opportunities. In May 2021, the Company received Equal Opportunity Employer Awards in categories including "Gender Equality", "Equality for Diverse Abilities" and "Family Status Equality" from the Equal Opportunities Commission.

Every day, we strive to connect communities throughout Hong Kong and around the world with affordable mass transit services that are accessible to everyone. In 2021, we offered discounts to passengers as part of a package of economic relief measures in response to COVID-19 outbreak. We also offered free Airport Express tickets for healthcare workers travelling to and from the community treatment facility at AsiaWorld-Expo via AsiaWorld-Expo Station.

In 2021, a year of unprecedented success for local sports on the world stage, we also honoured the Hong Kong athletes who competed at the Tokyo 2020 Olympic and Paralympic Games with free rides and offered free tickets to the public to celebrate our athletes' success.

Advancement and Opportunities

In 2021, we welcomed a number of university graduates into our various graduate development programmes to build our talent pipeline, and we continued our apprenticeship scheme to offer career opportunities for youth and develop young talents in the railway industry.

We also introduced a new Management Potential Development Programme that includes a robust talent assessment along with personalised development plans to groom high potential supervisors.

While we continue to invest in new railway projects and enhance our railway assets to serve our communities and support the development of Hong Kong, we also aspire to contribute to social mobility and advancement by creating job opportunities for Hong Kong people, as well as providing growth opportunities for our suppliers, business partners and staff.

To support our staff to ride out the difficulties amidst the pandemic challenges, we promptly took steps to implement protective and caring measures for our staff over the past two years. These included providing them with protective equipment, piloting a work-from-home arrangement for our office staff, launching an emotional wellness learning portal, and arranging COVID-19 vaccination outreach services at Kowloon Bay Depot for our staff and their dependants in collaboration with Government. The Company was the first public transport operator to participate in outreach COVID-19 vaccination. With various encouragement measures, over 90% of the specified groups of staff with interactions with external parties got vaccinated by end of 2021, demonstrating our commitment in safeguarding the health of staff, their families and the public.

We continue to offer rental concessions for shopping mall and station shop tenants to help them cope with the economic impact of the pandemic. In addition, we are pursuing partnerships with various start-ups to explore mutually beneficial digitalisation and innovation opportunities.

Governance

In 2021, the Board initiated an evaluation of the Board by external consultant with a view to enhancing its effectiveness and ensuring that it remains fit for purpose to support the implementation of the Company's Corporate Strategy. Such reviews are undertaken periodically to ensure that MTR continues to meet the high standards of governance that are expected of a major, publicly listed corporation.

Following this evaluation, a number of actions have been undertaken. The most important one is a revamp of the Board's Committee structure with effect from 1 February 2022, which has resulted in the establishment of a new Finance & Investment Committee and a

Technology Advisory Panel, as well as changes to other Board Committees. Other actions have included a review and update of MTR's delegations of authority and an enhanced focus on Board succession planning.

In 2021, we also made good progress in strengthening our "second line of defence" through the establishment of a new assurance management function. This function will provide assurance over MTR's key risk areas to ensure that the risks are properly understood by the businesses and that effective controls are put in place.

ACKNOWLEDGEMENTS AND APPRECIATION

I want to commend my fellow members of the Board for their leadership over the past year as we have striven to help get our communities back on track. As always, it has been a pleasure working together towards our common goal of building a better MTR Corporation for all.

I would like to thank Mr James Kwan Yuk-choi and Mrs Lucia Li Li Ka-lai, who retired as Independent Non-executive Directors ("INEDs") of the Board on 26 May 2021, for their exceptional efforts. I am also pleased to welcome once more Mr Hui Siu-wai and Mr Adrian Wong Koon-man, who joined MTR as INEDs effective 26 May 2021. In addition, I welcome Mr Ricky Lau Chun-kit, who has succeeded Mr Lam Sai-hung in the post of the Permanent Secretary for Development (Works) and joined MTR as a Non-executive Director with effect from 8 October 2021.

I am pleased to see that the contract of our Chief Executive Officer, Dr Jacob Kam Chak-pui, has been renewed for a period of three years. I am also honoured to have been reappointed as Chairman for another two-and-a-half-year term. I very much look forward to our continued partnership as we seek to fulfil the promise of a brighter future for MTR Corporation and Hong Kong despite the many challenges ahead of us, including the latest wave of COVID-19 infections.

Last but not least, I would like to acknowledge the hard work and dedication of the Executive Directors and our over 50,000 employees worldwide, every one of whom contributes to making MTR Corporation a global leader in safe, reliable and environmentally friendly rail transit for all.



Dr Rex Auyeung Pak-kuen
Chairman
Hong Kong, 10 March 2022