

CHAIRMAN'S LETTER

Dear Shareholders and other Stakeholders,

Throughout MTR's history, the Company has fulfilled its purpose to Keep Cities Moving, in favourable and challenging circumstances alike. The pandemic era certainly represents one of our most difficult periods. From the initial outbreak of COVID-19 in January 2020 to the last days of restrictions in early 2023, MTR worked tirelessly around the clock to continue delivering passengers safely, efficiently and comfortably to their destinations while doing its best to safeguard the health of the general public and staff. A look back on Hong Kong last year shows a city now well into recovery. Mask mandates, social distancing requirements, quarantines and travel restrictions are things of the past. Boundaries and borders are open once again, and routines are returning to normal.

In a way, MTR's businesses are a microcosm of Hong Kong and its prevailing socioeconomic trends. Our results in 2023 show higher Domestic and Cross-boundary patronage and more traffic at malls and station shops, which in turn indicate an improving economy, healthier consumer sentiment and rejuvenated tourism – all spurred on by unfettered travel. Meanwhile, we worked diligently behind the scenes to support the city's on-going recovery and sustainable growth. During the year, we broke ground on a number of important railway projects and continued to develop the detailed design and planning for many more, all of which are part of strategic long-term plans to build even faster, more



convenient links across Hong Kong and strengthen economic ties with our Greater Bay Area and Mainland Chinese neighbours.

Over the years, we have invested significant resources to lay the foundations for a future-driven organisation guided by environmental, social and governance (“ESG”) considerations in every facet of its planning and operations. As we venture cautiously but confidently into 2024, we are seeking to capitalise on all this hard work and bring even greater value to the Company, its shareholders and the communities it serves.

BUSINESS PERFORMANCE AND GROWTH

MTR’s patronage increased in 2023 following the resumption of Cross-boundary Service and HSR, resulting in higher fare revenue. The reopening of cross-boundary stations also enabled the return of the Company’s Duty Free business, which contributed rental revenue for the first time in three years. HSR patronage exceeded the pre-pandemic levels of 2019 with an increased number of direct destinations, although Cross-boundary Service patronage remained below pre-pandemic levels. Our world-class rail service exceeded 99.9% in both train service delivery and passenger journeys on-time for our heavy rail network during the year.

The Fare Adjustment Mechanism review that we carried out with Government concluded in the first half of 2023. We believe it has resulted in a satisfactory balance between keeping fares affordable and achieving the financial sustainability MTR needs to maintain and upgrade Hong Kong’s railways while also embarking upon important new projects to enhance connectivity across the city.

Of particular note was our staff’s exceptional work during the record-breaking rainfall and flash floods that inundated Wong Tai Sin Station during the late hours of 7 September. MTR immediately suspended service for affected stations, and full-line operations began again at the start of regular traffic hours on 9 September. Our staff’s immediate and comprehensive response to this emergency situation offers a clear example of the immense effort MTR makes to ensure the safety of its passengers and employees and Keep Hong Kong Moving.

In our property business, we proudly welcomed the opening of two new shopping malls in 2023. The Wai, located in Tai Wai, had its soft opening in July, while

THE SOUTHSIDE, located in Wong Chuk Hang, began the first phase of its soft opening in December. When fully opened, these two new malls will add approximately 107,620 square metres to our total attributable gross floor area. They will also offer quality shopping, dining, entertainment and services to the community. We also continued to make progress on 14 residential property developments, which together will provide about 14,000 units to Hong Kong’s housing market.

With the service commencement of the East Rail Line cross-harbour extension in 2022, our attention has now turned to the next major phase of Hong Kong’s railway development. In 2023, we signed Project Agreements with Government for the Tung Chung Line Extension, Tuen Mun South Extension and Kwu Tung Station on the East Rail Line, all of which are important initiatives under Railway Development Strategy 2014. We look forward to taking these and other projects forward in the coming years as we continue to “Go Beyond Boundaries” in our efforts to contribute to Hong Kong’s sustainable economic development.

In our Mainland China and international businesses, we were pleased that the remaining section of Beijing Metro Line 16 and the Northern Section of Beijing Metro Line 17 opened for passenger service in December, and that our contract for the South Western Railway in the UK as well as the franchise for the Melbourne metropolitan rail network in Australia were extended to May 2025 and mid-2026, respectively. In Sweden, we made the necessary decisions to enter into agreements for early termination of our concession agreements for both Stockholms pendeltåg and Mälartåg following an extended period of driver shortages and maintenance issues. Our bid for the new Stockholm Metro service contract was unsuccessful. In February 2024, we entered into an agreement to divest of MTRX. As always, we continue to seek opportunities in Mainland China and overseas to expand our business, diversify our revenue streams and grow the MTR brand in high-potential markets around the world.

FINANCIAL PERFORMANCE

The gradual resumptions of Cross-boundary Service and HSR over the first two months of 2023 led to higher patronage and retail traffic while also enabling the return of MTR’s Duty Free business. As a result, the Company saw higher fare and rental revenue in 2023. Profit from

our recurrent businesses increased to HK\$5,303 million before the HK\$1,022 million provisions made in respect of Stockholms pendeltåg and Mälartåg. Together with property development profit of HK\$2,083 million, profit from our underlying business was HK\$6,364 million, 40.2% lower than in 2022. Including the gain arising from the fair value measurement of investment properties, net profit attributable to shareholders of the Company in 2023 was HK\$7,784 million, equating to earnings per share of HK\$1.26. The Board has proposed a final ordinary dividend of HK\$0.89 per share, which together with the interim dividend of HK\$0.42 per share will bring the full-year dividend to HK\$1.31 per share (2022: HK\$1.31 per share).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In a world where climate change, social equality and sustainability concerns are at the forefront of global consciousness, ESG has become an essential part of companies' strategic planning and day-to-day operations. MTR's Corporate Strategy sets out a comprehensive, clearly defined ESG framework to help guide its actions according to three environmental and social objectives – reducing Greenhouse Gas Emissions, promoting Social Inclusion, and fostering Advancement & Opportunities – as well as robust governance systems and practices to ensure that the Company conducts itself in an ethical and transparent manner at all times. For the year under review, MTR set 44 ESG-related key performance indicators ("KPIs") – up from 35 in 2022 – to help us track the effectiveness of our initiatives in 10 key objective areas. As at the end of 2023, most of the KPIs had either been achieved or were on track to be achieved.

Reducing Greenhouse Gas Emissions

Although MTR's rail transport services are environmentally friendly by nature, the Company still understands the importance of minimising its carbon footprint wherever possible and helping lead the fight against climate change. In 2023, we were pleased to announce that the Science Based Targets initiative ("SBTi") approved our targets for reducing around half of MTR's GHG emissions in its Hong Kong railway and investment property businesses by 2030, using 2019 as the base year for comparison. Pursuing these targets will bring us closer to our long-term target of achieving carbon neutrality by 2050.

Technology and innovation play vital roles at MTR, and this extends to the Company's on-going efforts to achieve green, low-carbon designs throughout its railway network. In 2023, Hin Keng Station received an "Excellent" rating under the Building Research Establishment Environmental Assessment Method (BREEAM) In-Use certification programme, making it the first railway station in the world to receive this certification. Seven upcoming stations also received "BEAM Plus" Provisional Gold or higher accreditation. Our efforts to support the development of renewable energy in Hong Kong included the installation of 2,100 flexible solar photovoltaic panels at Pat Heung Depot, the largest such system in a single building in Hong Kong. We are currently implementing a pilot project for a hydrogen-powered light rail vehicle, and we are also excited to be putting our first electric bus into passenger service in mid-2024. Our Legacy Train Revitalisation Programme continued to provide us with an innovative and inspirational alternative to disposing of decommissioned railway assets by providing a channel whereby we donate train cars and components to schools, elderly centres, government departments and NGOs for repurposing. We also arranged approximately HK\$1.3 billion in sustainable finance under our Sustainable Finance Framework to support the Company's sustainable development through various projects.

Promoting Social Inclusion

One of MTR's most critical missions is ensuring that its services are accessible to people from all walks of life. In 2023, we continued to promote "Universal Basic Mobility" by upgrading our "MTR · Care" mobile app with enhanced functions. Visits and sharing sessions with different community groups helped boost our understanding of the mobility needs of these communities and how we can better serve them. In our focus area of Diversity and Inclusion, we were very proud to receive the "Inclusive Employer Badge" for participating in the CareER Disability Inclusion Index (DII) and hiring people with disabilities in Hong Kong. We also continued to sponsor and organise numerous programmes and events promoting disability inclusion, ethnic diversity and gender equity. These included True Colors Symphony's "Everyday Heroes All Around" inclusive concert and the "Beats Go Green" Multicultural Green Music Programme supported by The Zubin Foundation.

Our long-running “More Time Reaching Community” staff volunteering scheme had another successful year, attracting a headcount of 4,539 participating volunteers who took part in 270 community activities supporting more than 69,000 beneficiaries. In March and April 2023, we hosted “MTR Volunteering Month”, a programme with four specially designed volunteering activities featuring MTR elements to encourage colleagues to participate in and support the Company’s environmental and social objectives. Meanwhile, we continued our “Art in MTR” programme to showcase exhibitions and performances throughout the MTR network for the enjoyment of the travelling public. In particular, we were delighted to be able to relaunch the Hong Kong Station Living Art Stage, where we host arts and cultural performances for passengers every Friday as well as special performances to celebrate festive seasons, all at one of our busiest interchange stations.

Fostering Advancement & Opportunities

Of all the resources that help us Keep Cities Moving, our staff are the most important, and each year we invest significant efforts into developing careers and fostering a culture of continuous learning. Outside the Company, we are dedicated to providing opportunities for youth and the wider community to learn, grow and succeed. In October, we launched the revamped youth programme “Train’ for Life’s Journeys 2.0” with over 2,000 secondary school students enrolled. This programme aims to empower the next generation with innovative mindsets and future skills including design thinking, entrepreneurship, financial literacy and AI capabilities. To provide underserved secondary school students with the skills and attributes they need in the business world, we also piloted a one-month programme with SEED Foundation that gave six students the opportunity to gain workplace experience in different departments.

Governance

MTR is committed to achieving the highest standards of corporate governance to ensure that the Company conducts its business in an ethical and transparent manner and safeguards the interests of its shareholders and stakeholders. We also strive to uphold strong principles of inclusion and diversity at all levels of the organisation, including its top leadership positions. As at the end of 2023, over a quarter of our Board of Directors were female.

ACKNOWLEDGEMENTS AND APPRECIATION

MTR’s Board, members of the Executive Directorate, management and staff have all played invaluable roles in shepherding the Company through the pandemic and laying the groundwork for better years ahead. I would once again like to thank Dr Pamela Chan Wong Shui and Mr Johannes Zhou Yuan, who retired as Independent Non-executive Directors (“INEDs”) of the Board on 24 May 2023, for their contributions to the Company. I would once again also like to welcome Ms Sandy Wong Hang-yee and Professor Anna Wong Wai-kwan, who were appointed as INEDs effective 24 May 2023. Also, as mentioned in our interim report, Miss Rosanna Law Shuk-pui ceased to hold the post of the Commissioner for Transport effective 15 August 2023 and therefore has ceased to be a Non-executive Director (“NED”) of the Company. Taking her place is Ms Angela Lee Chung-yan, who assumed the role of the Commissioner for Transport on 28 August 2023 and also became an NED by virtue of this posting. I would once again like to thank Miss Law for her valuable counsel and welcome Ms Lee to the Board.

I was recently honoured to be reappointed as Chairman for a one-and-a-half-year term, extending to 31 December 2025. I look forward to continuing to work with the Board, management and all MTR colleagues to serve and build Hong Kong.

In 2024, we are celebrating the 45th anniversary of MTR. I believe I speak for everyone at the Company when I say we look forward to embarking on an exciting new journey of growth and prosperity together with Hong Kong and all of the communities we serve in Mainland China and around the world. As a caring, conscientious member of society, we pledge to do our part as always to deliver world-class service and Keep Cities Moving.



Dr Rex Auyeung Pak-kuen
Chairman
Hong Kong, 7 March 2024