

Audit & Risk Committee Report

As at the date of this Report, the Audit & Risk Committee of the Company (referred to as the “Committee” in this Report) consists of five Non-executive Directors, four of whom are Independent Non-executive Directors of the Company. None of the Committee members was (within two years before his/her appointment as a Committee member) a former partner or is currently a partner of KPMG, the Company’s external auditor. Details of the Committee’s membership and their attendance records during 2025 are set out on pages 87 to 88 of this Annual Report.

The Finance Director (the “FD”), the Legal and Governance Director (the “L&GD”) and the Head of Internal Audit (the “Head of IA”), or their respective delegates, and representatives of the external auditor are required to attend all meetings of the Committee. The Committee meets at least once every quarter. The Chair of the Committee, any two members of the Committee, the external auditor or the FD may request additional meetings if they consider necessary.

TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference of the Committee (the “ToR”) is available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

DUTIES OF THE COMMITTEE

Under the ToR, the duties of the Committee primarily comprise the following:

- Overseeing the relationship with the Company’s external auditor, including making recommendations to the Board on the appointment of and any change to the Company’s external auditor and communicating with the external auditor on financial matters of the Company;
- Reviewing the financial information of the Company, including monitoring the integrity of financial statements;

- Developing and implementing a policy on the engagement of the external auditor to supply non-audit services;
- Overseeing the Company’s financial reporting system and internal control procedures, including overseeing the adequacy of the resources and competence of the Company’s accounting and financial reporting functions;
- Overseeing the Company’s Internal Audit function, including liaison with the Head of IA, approval of the annual internal audit plan of the Company and receiving periodic reports from the Head of IA;
- Reviewing the Company’s enterprise risk management (“ERM”) framework and the guidelines, policies and procedures for risk assessment and risk management;
- Receiving reports on the Company’s enterprise risks and key emerging risks; and
- Reviewing the effectiveness of the ERM function (including staffing levels and qualifications), the Company’s “Three Lines of Defence” (“Three Lines”) assurance framework and crisis management arrangements.

More details on the duties of the Committee are set out in the ToR and further information can be found in the “Risk Management and Internal Control Systems” section of the Corporate Governance Report on pages 91 to 95 of this Annual Report.

For further details of the features of the ERM system and processes, the significant risks being managed and the process used to review the effectiveness of the ERM system, please refer to the “Risk Management” section on pages 103 to 107 of this Annual Report.

Reporting to the Board

The Chair of the Committee summarises the activities of the Committee and highlights issues arising therefrom or concerns raised by Committee members in a report to the Board after each Committee meeting.

The minutes of Committee meetings are prepared by the secretary of the meetings with details of the matters considered by Committee members and decisions reached, including any concerns raised by Committee members, dissenting views expressed and suggestions for enhancing the governance and internal control systems of the Company. The draft minutes are circulated to Committee members for comment after each meeting. The Committee formally adopts the draft minutes at the next subsequent meeting, after taking into account any comments that Committee members may have made. Minutes of Committee meetings are open for inspection by Committee members at the Company's registered office.

In advance of the first regular Committee meeting each year, the secretary of the meetings pre-agrees key agenda items for the year with the Chair of the Committee who makes a final determination on the agenda for the Committee meetings.

WORK PERFORMED BY THE COMMITTEE IN 2025

In 2025, the Committee held four regular meetings. Representatives of the external auditor, the FD, the L&GD and the Head of IA attended or joined online all four regular meetings for the purpose of reporting and answering questions about their work. In addition, relevant Members of the Executive Directorate were invited to join certain presentations to the Committee. During the year, the Committee also held private sessions with the external auditors and the Head of IA without the presence of Management representatives, immediately after the regular meetings.

The Committee reviewed the Company's annual and interim results announcements and financial statements at its February and August 2025 meetings, respectively. It also maintained close oversight of internal controls through receiving reports from the ERM, Second Line and internal audit teams at each regular meeting.

The Company has continued to demonstrate its commitment to robust governance and effective risk management across all Business Units by implementing the Three Lines Model. Pursuant to this model, Second Line activities are managed by the Legal & Governance function with its Centres of Excellence in technical, engineering, safety, quality, environment, risk, assurance and commercial disciplines. Second Line assurance activities span across all Business Units of the Company as well as critical corporate projects and initiatives.

Other major work performed by the Committee in 2025 included:

Financial

- Reviewed the draft 2024 Annual Report, Annual Results Announcement and Financial Statements, 2025 Interim Report, Interim Results Announcement and Financial Statements, accounting matters and relevant disclosure notes in the said Financial Statements and made recommendations on the same for the Board's approval;
- Received updates on the valuations of the Group's Hong Kong property assets and Chinese Mainland investment properties;
- Received updates on the latest budget status of the Company's railway construction projects under entrustment by Government; and
- Received a preview of the 2025 interim and annual accounting, financial reporting issues and tax matters;

Internal Audit and Internal Control

- Reviewed a report on the evaluation of the effectiveness of the Internal Audit Department for 2024;
- Reviewed the continuing connected transactions for 2024;
- Reviewed Internal Audit Department's Quarterly Reports; and
- Approved the 2026 Internal Audit Plan;

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External Auditor

- Received KPMG's reports on the salient features of the 2024 Annual Financial Statements and 2025 Interim Financial Statements respectively;
- Considered KPMG's independence and other relevant factors when approving the appointment of KPMG in providing non-audit services; and noted KPMG's confirmation of independence in its audit report in respect of the 2024 Annual Financial Statements and 2025 Interim Financial Statements respectively;
- Approved KPMG to provide ongoing non-audit services in 2025;
- Approved KPMG's fee proposal for the 2025 annual audit and the 2026 interim review, as well as other audit related and tax services; and
- Reviewed KPMG's audit plan for the year ending 31 December 2025;

Governance

- Reviewed the reports on compliance with statutes and regulations, the Operating Agreement and Rail Merger Related Agreements in 2024, and outstanding litigation/potential litigation;
- Endorsed the Audit & Risk Committee Report and Risk Management related disclosures for the 2024 Annual Report; and
- Reviewed summaries of the key issues reported to the Audit/Risk/Governance Committees of various subsidiaries and associates of the Company;

Risk Management and Assurance

- Reviewed the Risk Management and Internal Control Systems effectiveness paper for 2024 for submission to the Board;
- Reviewed ERM's 2024 Annual Report, 2025 Half Yearly Report and Quarterly Reports;
- Received Second Line's Quarterly Reports; and
- Received an annual update on the Company's insurance policies.

In addition to the above, the Committee also requested and received (i) a report on reviews carried out by the Second Line and the Internal Audit Department into the project management of a major enterprise resource planning system; (ii) a report from an external consulting firm on their advisory review of the Second Line undertaken to assess the current structure and effectiveness of the Second Line against its original objectives; and (iii) a presentation from the Capital Works Director on a potential delay issue associated with the Tung Chung Line Extension project.

RE-APPOINTMENT OF EXTERNAL AUDITOR

The Committee was satisfied with KPMG's work, its independence and objectivity, and therefore recommended the re-appointment of KPMG (which has indicated its willingness to continue in office) as the Group's external auditor for 2026 for approval by the Company's shareholders at the 2026 Annual General Meeting.

Professor Anna Wong Wai-kwan
Audit & Risk Committee Chair
Hong Kong, 12 March 2026

This Audit & Risk Committee Report has been reviewed and endorsed by the Committee.