

Report of the Members of the Board

The Members of the Board have pleasure in submitting their Report and the audited Consolidated Financial Statements for the financial year ended 31 December 2025.

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, the Chinese Mainland and a number of overseas cities; project management in relation to railway and property development businesses in Hong Kong and the Chinese Mainland; 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 and the Chinese Mainland; property business including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and the Chinese Mainland; investment in Octopus Holdings Limited; provision of railway management, engineering and technology training; and investment in relevant new technologies.

The principal businesses of the Company's principal subsidiaries, associates and joint ventures as at 31 December 2025 are set out in notes 26 and 27 to the Consolidated Financial Statements.

BUSINESS REVIEW

The Company has always been committed to providing comprehensive reviews of the Group's businesses and performance in its Annual Reports. A summary of the relevant sections in the Company's Annual Report 2025 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 businesses and a discussion and an analysis of the Group's performance during the financial year 2025	<ul style="list-style-type: none">• Chairman's Letter (pages 10 to 13)• CEO's Review and Outlook (pages 14 to 17)• The Year in Review – Business Performance (pages 18 to 49)• The Year in Review – Financial Performance (pages 50 to 57)
(2) Particulars of important events affecting the Group that have occurred since the end of the financial year 2025	<ul style="list-style-type: none">• Chairman's Letter (pages 10 to 13)• CEO's Review and Outlook (pages 14 to 17)• The Year in Review – Business Performance (pages 18 to 49)
(3) Description of the significant risks and uncertainties facing the Group	<ul style="list-style-type: none">• CEO's Review and Outlook (pages 14 to 17)• The Year in Review – Business Performance (pages 18 to 49)• Risk Management (pages 103 to 107)• Financial Risks – note 30B to the Consolidated Financial Statements (pages 224 to 226)
(4) Outlook for the Group's businesses	<ul style="list-style-type: none">• Chairman's Letter (pages 10 to 13)• CEO's Review and Outlook (pages 14 to 17)• The Year in Review – Business Performance (pages 18 to 49)
(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">• Corporate Governance Report (pages 68 to 99)• Sustainability Report 2025 (www.mtr.com.hk)
(6) Description of the Group's relationships with its key stakeholders	<ul style="list-style-type: none">• Chairman's Letter (pages 10 to 13)• CEO's Review and Outlook (pages 14 to 17)• The Year in Review – Business Performance (pages 18 to 49)• Environmental & Social Responsibility (pages 61 to 63)• Human Resources (pages 64 to 65)• Investor Relations (pages 66 to 67)• Sustainability Report 2025 (www.mtr.com.hk)
(7) Description of the Group's environmental policies and performance	<ul style="list-style-type: none">• Chairman's Letter (pages 10 to 13)• CEO's Review and Outlook (pages 14 to 17)• The Year in Review – Business Performance (pages 18 to 49)• Environmental & Social Responsibility (pages 61 to 63)• Sustainability Report 2025 (www.mtr.com.hk)

DIVIDENDS

The Board has recommended (i) paying a final dividend of HK\$0.89 per share in respect of the year ended 31 December 2025 in cash, and (ii) adopting a new scrip dividend scheme (“Scrip Dividend Scheme”) at the Company’s forthcoming annual general meeting (“AGM”). Subject to the approval of the shareholders at the AGM, the proposed 2025 final dividend is expected to be paid on 22 June 2026 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 5 June 2026, being the record date for determination of entitlement to the proposed 2025 final dividend. For the avoidance of doubt, the proposed 2025 final dividend does not include an option to receive the 2025 final dividend wholly or partly in new and fully paid Shares in lieu of cash under the Scrip Dividend Scheme.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial position of the Group as at 31 December 2025 and the Group’s consolidated financial performance and consolidated cash flows for the year are set out in the Consolidated Financial Statements on pages 172 to 258.

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 is set out on pages 58 to 59.

DIRECTORS

Members of the Board (including their Alternate Director(s)) and the Executive Directorate as at the date of this Report are stated below:

Members of the Board

- Dr Jacob Kam Chak-pui (Chairman)
- Jeny Yeung Mei-chun (CEO)
- Andrew Clifford Winawer Brandler
- Dr Bunny Chan Chung-bun
- Cheng Yan-kee
- Hui Siu-wai
- Ayesha Macpherson Lau
- Professor Sunny Lee Wai-kwong
- Jimmy Ng Wing-ka
- Susanna Shen Shuk-ching
- Dr Carlson Tong
- Sandy Wong Hang-yee
- Adrian Wong Koon-man
- Professor Anna Wong Wai-kwan
- Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury)
- Secretary for Transport and Logistics (Mable Chan)
- *Alternate Directors:*
 - Under Secretary for Transport and Logistics (Liu Chun-san)
 - Permanent Secretary for Transport and Logistics (Vic Yau Cheuk-hang^{N1})
 - Deputy Secretary for Transport and Logistics 1 (Amy Wong Pui-man)
 - Deputy Secretary for Transport and Logistics 2 (Kirk Yip Hoi-ying)
- Permanent Secretary for Development (Works) (Ricky Lau Chun-kit)
- *Alternate Director:*
 - Deputy Secretary for Development (Works) 3 (Tony Ho Ying-kit)
- Commissioner for Transport (Angela Lee Chung-yan)
- *Alternate Director:*
 - Deputy Commissioner for Transport/Transport Services and Management (Candy Kwok Wai-ying)

N1: Change of holder of the post from Mr Kevin Choi (appointed on 14 April 2025 and ceased on 27 October 2025) to Mr Vic Yau Cheuk-hang (appointed on 17 November 2025).

Report of the Members of the Board

DIRECTORS *(continued)*

Members of the Executive Directorate

- Jeny Yeung Mei-chun (CEO)
- David Tang Chi-fai (Managing Director – Property and International Business)^{N2}
- Margaret Cheng Wai-ching (Human Resources Director)
- Linda Choy Siu-min (Corporate Affairs and Branding Director)
- Carl Michael Devlin (Capital Works Director)
- Michael George Fitzgerald (Finance Director)
- Wilson Kwong Wing-tsuen (Hong Kong Transport Services Director)^{N3}
- Gillian Elizabeth Meller (Legal and Governance Director)
- Sammy Wong Kwan-wai (Chinese Mainland Business Director)

N2: Mr David Tang Chi-fai (formerly Property and International Business Director) was retitled as Managing Director – Property and International Business with effect from 1 February 2026.

N3: Mr Wilson Kwong Wing-tsuen was appointed as the Hong Kong Transport Services Director of the Company with effect from 28 January 2026.

The biographies of each Member of the Board and the Executive Directorate as at the date of this Report are set out on pages 115 to 130.

In addition, resolutions for electing Ms Mary Huen Wai-yi and Mr Michael Wong Yick-kam as new Directors will be proposed at the 2026 AGM. Please refer to the Company's circular containing the Notice of the 2026 AGM sent together with this Report.

Members of the Board, Alternate Directors and Members of the Executive Directorate during the course of 2025 who have since ceased or changed their positions with the Company are stated below:

- Walter Chan Kar-lok (retired on 21 May 2025)
- Kevin Choi (ceased on 27 October 2025)[^]
- Bruno Luk Kar-kin (ceased on 6 November 2025)
- Dr Rex Auyeung Pak-kuen (retired on 1 January 2026)
- Dr Jacob Kam Chak-pui (ceased to be the CEO and a Member of the Executive Directorate on 1 January 2026)^{N4}

[^] Please refer to Note N1 above for details relating to the change of post holder of the relevant Alternate Director.

N4: On 14 October 2025, the Company announced that Dr Jacob Kam Chak-pui had been appointed as a Non-executive Director ("NED") of the Company upon the expiry of his term as the CEO, whereupon he had ceased to be a Member of the Executive Directorate, all with effect from 1 January 2026. Dr Kam was also appointed by The Financial Secretary Incorporated as the Chairman of the Company with effect from 1 January 2026 until 31 December 2028 (both dates inclusive).

DIRECTORS OF SUBSIDIARY UNDERTAKINGS

The list of directors of the subsidiary undertakings of the Company during the year and up to the date of this Report (unless otherwise stated) is kept at the Company's registered office and is available for inspection by shareholders during business hours.

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 Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury), Secretary for Transport and Logistics (Ms Mable Chan), Permanent Secretary for Development (Works) (Mr Ricky Lau Chun-kit), and Commissioner for Transport (Ms Angela Lee Chung-yan) and their respective Alternate Director(s), all of whom are or 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 142 to 162, 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, an Alternate Director 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 2025, the interests or short positions of the Members of the Board, Alternate Directors and Members of the Executive Directorate in the shares and underlying shares 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 C3 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 award shares [†]		Percentage of aggregate interests to total no. of voting shares in issue ^Δ
	Personal interests*	Family interests [†]	Personal interests*	Total interests	
Dr Jacob Kam Chak-pui (Note 1)	1,513,112	–	392,050	1,905,162	0.03061
Jeny Yeung Mei-chun	924,234	–	289,718	1,213,952 (Note 2)	0.01950
Cheng Yan-kee	–	2,000 (Note 3)	–	2,000	0.00003
Adrian Wong Koon-man	–	558 (Note 3)	–	558	0.00001
David Tang Chi-fai	456,466	–	169,718	626,184	0.01006
Margaret Cheng Wai-Ching	367,270	–	164,185	531,455	0.00854
Linda Choy Siu-min	129,838	–	144,284	274,122	0.00440
Carl Michael Devlin	36,586	–	146,684	183,270	0.00294
Michael George Fitzgerald	61,150	1,500 (Note 3)	162,600	225,250	0.00362
Gillian Elizabeth Meller	338,345	–	148,218	486,563	0.00782
Sammy Wong Kwan-wai	77,068	–	139,452	216,520	0.00348

Notes:

- On 14 October 2025, the Company announced that Dr Jacob Kam Chak-pui had been appointed as a NED of the Company upon the expiry of his term as the CEO, whereupon he had ceased to be a Member of the Executive Directorate, all with effect from 1 January 2026. Dr Kam was also appointed by The Financial Secretary Incorporated as the Chairman of the Company with effect from 1 January 2026 until 31 December 2028 (both dates inclusive).
- Ms Jeny Yeung Mei-chun entered into a service contract with the Company for the position of CEO in September 2025 pursuant to which she will be entitled to a grant of 120,000 restricted shares upon completion of her service contract on 31 December 2028, which will vest on the date of the grant, according to the terms and conditions set out in the service contract. This interest has been included in Ms Yeung's total interests.
- As at 31 December 2025, these shares were held by the spouse of the relevant Member of the Board or Member of the Executive Directorate of the Company.

Details of the award shares are set out in the section headed "Executive Share Incentive Scheme" on pages 138 to 140

* Interests as beneficial owner

† Interests of spouse or child under 18 as beneficial owner

Δ The Company's total number of voting shares in issue as at 31 December 2025 was 6,224,823,171

Save as disclosed above and in the section headed "Executive Share Incentive Scheme":

A as at 31 December 2025, no Member of the Board or Alternate Director or Member of the Executive Directorate of the Company had any interest or short position in the shares or underlying shares 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 2025, no Member of the Board or Alternate Director or Member of the Executive Directorate of the Company 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 SHAREHOLDER'S 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 2025 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 total no. of voting shares in issue ^Δ
The Financial Secretary Incorporated ("FSI") (in trust on behalf of Government)	4,634,173,932	74.45%

^Δ The Company's total number of voting shares in issue as at 31 December 2025 was 6,224,823,171

The Company has been informed by the Hong Kong Monetary Authority that, as at 31 December 2025, approximately 0.18% 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 Shareholder's Interests", as at 31 December 2025, 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.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Company during the year ended 31 December 2025 or subsisted at the end of the year.

EXECUTIVE SHARE INCENTIVE SCHEME

The Company adopted the Executive Share Incentive Scheme with effect from 1 January 2015 ("Effective Date"), for an original term up to 31 December 2024. On 6 March 2025, the Board approved the renewal of the Executive Share Incentive Scheme until 31 December 2034. 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. Under the terms of the Executive Share Incentive Scheme, the participants can be any employees and any directors of the Company or any of its subsidiaries (excluding non-executive Members of the Board but including Members of the Executive Directorate).

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% (i.e. 145,663,358 Ordinary Shares) of the number of issued Ordinary Shares as at the Effective Date (i.e. 5,826,534,347 Ordinary Shares) and the maximum number of award shares that may be granted to a single eligible employee in the 12-month period up to the relevant award date shall be 0.03% of the number of issued Ordinary Shares on the relevant award date.

The number of award shares that are the subject of outstanding awards granted under the Executive Share Incentive Scheme is 39,223,001 Ordinary Shares up to the date of this Report. Therefore, the total number of award shares available under the Executive Share Incentive Scheme that may be granted is 106,440,357 Ordinary Shares, representing approximately 1.71% of the Company's total number of issued shares as at the date of this Report.

EXECUTIVE SHARE INCENTIVE SCHEME *(continued)*

Pursuant to the terms of the Executive Share Incentive Scheme, each grantee undertakes to pay HK\$1.00, on demand, to the Company, in consideration for the grant of the award shares. Save for the above, the grantee is not required to pay any price for the shares purchased by the Trustee from the open market pursuant to the terms of the Executive Share Incentive Scheme. Any offers of award shares made under the Executive Share Incentive Scheme will specify the date by which the offer of the award shares must be accepted (being a date no more than 30 days (inclusive) from the date on which the offer is made).

Movements in award shares under the Executive Share Incentive Scheme during the year ended 31 December 2025 are set out below:

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1)		Award shares outstanding as at 1 January 2025	Award shares vested during the year	Award shares lapsed and/or forfeited during the year	Award shares outstanding as at 31 December 2025	Weighted average closing price of shares immediately before the date(s) on which the award shares were vested (HK\$)
		Restricted shares (Note 2)	Performance shares (Note 3)					
Dr Jacob Kam Chak-Pui (Note 4)	1/4/2022	132,000	–	132,000	132,000	–	–	26.10
	8/4/2022	133,700	–	44,568	44,568	–	–	25.45
	11/4/2023	54,700	–	36,467	36,467	–	–	28.02
	8/4/2024	87,100	392,050	479,150	87,100	–	392,050	28.58
	1/4/2025 (Note 7)	33,100	–	–	33,100	–	–	30.04
	8/4/2025 (Note 7)	90,600	–	–	90,600	–	–	30.04
Jeny Yeung Mei-chun	8/4/2022	46,000	–	15,334	15,334	–	–	25.45
	11/4/2023	25,100	–	16,734	8,366	–	8,368	26.00
	8/4/2024	41,700	93,550	135,250	13,900	–	121,350	25.65
	8/4/2025 (Note 7)	40,000	–	–	–	–	40,000	–
David Tang Chi-fai	8/4/2022	46,000	–	15,334	15,334	–	–	25.45
	11/4/2023	25,100	–	16,734	8,366	–	8,368	26.00
	8/4/2024	41,700	93,550	135,250	13,900	–	121,350	25.65
	8/4/2025 (Note 7)	40,000	–	–	–	–	40,000	–
Margaret Cheng Wai-ching	8/4/2022	39,500	–	13,168	13,168	–	–	25.45
	11/4/2023	23,300	–	15,534	7,766	–	7,768	26.00
	8/4/2024	38,650	93,550	132,200	12,883	–	119,317	25.65
	8/4/2025 (Note 7)	37,100	–	–	–	–	37,100	–
Linda Choy Siu-min	8/4/2022	32,200	–	10,734	10,734	–	–	25.45
	11/4/2023	17,550	–	11,700	5,850	–	5,850	26.00
	8/4/2024	24,200	93,550	117,750	8,066	–	109,684	25.65
	8/4/2025 (Note 7)	28,750	–	–	–	–	28,750	–
Carl Michael Devlin	8/4/2022	7,700	7,300	2,568	2,568	–	–	25.45
	11/4/2023	15,700	–	10,467	5,233	–	5,234	26.00
	8/4/2024	25,800	93,550	119,350	8,600	–	110,750	25.65
	8/4/2025 (Note 7)	30,700	–	–	–	–	30,700	–

EXECUTIVE SHARE INCENTIVE SCHEME (continued)

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1)		Award shares outstanding as at 1 January 2025	Award shares vested during the year	Award shares lapsed and/or forfeited during the year	Award shares outstanding as at 31 December 2025	Weighted average closing price of shares immediately before the date(s) on which the award shares were vested (HK\$)
		Restricted shares (Note 2)	Performance shares (Note 3)					
Michael George Fitzgerald	25/9/2023	60,900	–	40,600	20,300	–	20,300	26.62
	8/4/2024	30,150	93,550	123,700	10,050	–	113,650	25.65
	8/4/2025 (Note 7)	28,650	–	–	–	–	28,650	–
Dr Tony Lee Kar-yun (Note 5)	8/4/2022	34,050	–	11,350	11,350	–	–	25.45
	11/4/2023	14,850	–	9,900	9,900	–	–	26.15
	8/4/2024	30,600	93,550	124,150	30,600	–	93,550	26.08
	8/4/2025 (Note 7)	14,700	–	–	14,700	–	–	26.30
Gillian Elizabeth Meller	8/4/2022	34,600	–	11,534	11,534	–	–	25.45
	11/4/2023	19,550	–	13,034	6,516	–	6,518	26.00
	8/4/2024	25,950	93,550	119,500	8,650	–	110,850	25.65
	8/4/2025 (Note 7)	30,850	–	–	–	–	30,850	–
Sammy Wong Kwan-wai	8/4/2022	8,050	–	2,684	2,684	–	–	25.45
	11/4/2023	16,400	–	10,934	5,466	–	5,468	26.00
	8/4/2024	21,800	93,550	115,350	7,266	–	108,084	25.65
	8/4/2025 (Note 7)	25,900	–	–	–	–	25,900	–
Five highest paid individuals (Note 9)	1/4/2022	132,000	–	132,000	132,000	–	–	26.10
	8/4/2022	272,900	7,300	90,972	90,972	–	–	25.45
	11/4/2023	143,900	–	95,936	66,198	–	29,738	27.11
	8/4/2024	234,950	766,250	1,001,200	136,383	–	864,817	27.52
	1/4/2025	33,100	–	–	33,100	–	–	30.04
	8/4/2025	238,400	–	–	90,600	–	147,800	30.04
Other eligible employees (Note 6)	8/4/2022	2,125,450	233,400	525,784	521,530	4,254	–	25.45
	11/4/2023	2,349,300	42,850	1,334,772	717,031	23,261	594,480	26.10
	8/4/2024	3,731,850	1,987,000	5,552,050	1,334,575	140,220	4,077,255	25.85
	8/4/2025 (Note 7)	3,905,000	288,350	–	91,050	39,300	4,063,000	28.88

Notes:

- The award shares granted under the Executive Share Incentive Scheme are issued Ordinary Shares.
- Restricted shares are awarded to selective eligible employees and vest over three years in equal tranches (unless otherwise determined by the Remuneration Committee ("RC") of the Company).
- Performance shares are awarded to selective eligible employees and generally vest at the end of a three-year performance cycle, subject to review and approval by the RC of the Company from time to time.
- On 14 October 2025, the Company announced that Dr Jacob Kam Chak-pui had been appointed as a NED of the Company upon the expiry of his term as the CEO, whereupon he had ceased to be a Member of the Executive Directorate, all with effect from 1 January 2026. Dr Kam was also appointed by The Financial Secretary Incorporated as the Chairman of the Company with effect from 1 January 2026 until 31 December 2028 (both dates inclusive).
- Dr Tony Lee Kar-yun retired as the Operations and Innovation Director and ceased to be a Member of the Executive Directorate of the Company, both with effect from 1 May 2025.
- Other eligible employees also include former employees of the Company.
- The closing price of the Ordinary Shares immediately before the date on which the award shares were granted on 1 April 2025 and 8 April 2025 was HK\$25.45 and HK\$25.15 respectively.
- No award shares were cancelled during the year.
- With respect to the five highest paid individuals for the financial year, all five of them were Members of the Executive Directorate and details of the movements in their awarded shares under the Executive Share Incentive Scheme during the year ended 31 December 2025 are also shown in the table above.
- Further details on the operation of the Executive Share Incentive Scheme including, but not limited to, the performance targets, the fair value of the share awards at the date of grant and the accounting standard and policy adopted are set out in the section headed "Long-Term Incentives" under the Remuneration Committee Report (pages 112 to 113) and notes 2U(iii), 11B and 44 to the Consolidated Financial Statements in this Report.

SHARES ISSUED

There were no shares issued by the Company during the year. As at 31 December 2025, a total of 6,224,823,171 Ordinary Shares were issued and credited as fully paid.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company redeemed its bonds at par for notional amounts of RMB345 million (HKD399 million), HKD150 million, HKD150 million, HKD200 million, HKD200 million, HKD500 million and RMB260 million (HKD285 million) bonds on 21 January 2025, 14 September 2025, 19 September 2025, 28 September 2025, 29 September 2025, 29 September 2025 and 6 October 2025 respectively. The bonds were listed on the HKSE prior to their redemption. Save as disclosed above, the Group did not purchase, sell or redeem any of the Group's listed securities during the year ended 31 December 2025. 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 4,341,500 Ordinary Shares for a total consideration of approximately HK\$113 million during the year ended 31 December 2025. The Company did not hold any treasury shares as at 31 December 2025.

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 2025 is as follows:

	As a percentage of the Group's total purchases
Total value of purchases (not of a capital nature) attributable to the Group's five largest suppliers	15.91%

	As a percentage of the Group's total revenue
Total revenue attributable to the Group's five largest customers	34.74%
Total revenue attributable to the Group's largest customer	20.36%

KCRC, being one of the Group's five largest customers, is a statutory public corporation wholly owned by Government. As at 31 December 2025, Government, through the FSI, the substantial shareholder of the Company, held approximately 74.45% of all the Company's voting shares in issue (see the section headed "Substantial Shareholder's Interests" above for further details).

As at 31 December 2025, the NEDs of the Company (excluding the then Board Chairman and all the Independent Non-executive Directors) and their Alternate Directors, whose names are listed on pages 135 to 136, were officials of Government.

Save as disclosed above, as at 31 December 2025, no other Member of the Board, Alternate Director or Member of the Executive Directorate or any of their respective close associates or any other shareholder (which, to the knowledge of the Members of the Board, Alternate Directors or Members of 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\$27.2 million to charitable and other organisations.

LOANS AND OTHER OBLIGATIONS

The total loans and other obligations of the Group as at 31 December 2025 amounted to HK\$88,923 million, details of which are set out in note 35 to the Consolidated Financial Statements.

BONDS AND NOTES ISSUED

The Group issued notes with total face value amounting to HK\$25,199 million equivalent during the year ended 31 December 2025, details of which are set out in note 35C to the Consolidated Financial Statements. Such notes were issued in order to meet the Group's general corporate funding requirements, including financing of capital expenditure and refinancing of debts.

PROPERTIES

Particulars of the principal investment properties and properties held for sale of the Company are shown on pages 33 to 34.

CONNECTED TRANSACTIONS

During the year under review, the transactions described below were entered into with (i) Government (which is a substantial shareholder of the Company as defined in the Listing Rules); and (ii) Octopus Cards Limited ("OCL") and Octopus Transactions Limited ("OTL") (both of which are associates of Government as defined in the Listing Rules). Government, OCL and OTL are each a "connected person" of the Company for the purposes of the Listing Rules and the transactions described below are connected transactions 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").

I Land Agreements

In accordance with Rule 14A.71 of the Listing Rules and the conditions of the Waiver, the Company makes the following disclosures:

- A On 3 January 2025, the Company accepted an offer dated 22 November 2024 from Government to proceed with the proposed Tung Chung East Station Package One Property Development at Site B of Tung Chung Town Lot No. 53 on the terms and conditions of the relevant land grant. The land premium is assessed at HK\$337,299,000. After deduction therefrom of the reduction amount pursuant to the project agreement in respect of the Tung Chung Line Extension, nil net land premium is payable by the Company.
- B On 18 November 2025, the Company accepted an offer dated 8 October 2025 from Government to proceed with the proposed Tuen Mun A16 Station Package One Property Development at Site A of Tuen Mun Town Lot No. 576 on the terms and conditions of the relevant land grant. The land premium was

assessed at HK\$1,756,662,000. After deduction therefrom of the reduction amount pursuant to the project agreement in respect of Tuen Mun South Extension, nil net land premium was payable by the Company. The land grant of Tuen Mun Town Lot No. 576 was executed by both the Company and Government on 10 February 2026.

II Novation Agreement

As disclosed in the circular issued by the Company on 3 September 2007 in connection with the Rail Merger (the “2007 Circular”), the Waiver was updated in July 2005 to reflect the restructuring of OCL to include, amongst others, transactions between the Company, Octopus Holdings Limited (“OHL”) and OCL (and their respective subsidiaries).

In accordance with Rule 14A.71 of the Listing Rules and the conditions of the Waiver (as updated), the Company makes the following disclosures:

On 2 April 2025, the Company entered into a Novation Agreement with OCL and OTL, both being wholly owned subsidiaries of OHL, in respect of the novation of nine service contracts for the Automated Fare Collection Multiple Electronic Payment Projects at Heavy Rail, which were originally entered into between the Company and OCL with a total contract amount of HK\$176.65 million. Accordingly, OCL was released and discharged from each of the service contracts, and OTL undertook to perform each of the service contracts in place of OCL and agreed to be bound by the terms of each of the service contracts in place of OCL, all with effect from 1 May 2025.

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 between the Company and Government and/or KCRC, and between the Company and the Airport Authority (the “AA”).

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.

Therefore, each of Government, KCRC and the AA is a “connected person” of the Company for the purposes of the Listing Rules and, during 2025, each transaction set out at sections I, II, III and IV below constituted a continuing connected transaction for the Company under the Listing Rules.

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 & Risk Committee of the Company to assist the Company’s Independent Non-executive Directors in their annual review and confirmation required to be given under 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 C below of this section (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 headed “Additional Information in respect of the Rail Merger”.

As disclosed in the 2007 Circular, 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”).

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A Merger Framework Agreement

The Merger Framework Agreement was entered into on 9 August 2007 between the Company, KCRC and Government.

The Merger Framework Agreement contains provisions for the overall structure and certain specific aspects of the Rail Merger, including, amongst others, the following matters. Further details are set out in the section headed "Additional Information in respect of the Rail Merger" and the 2007 Circular.

- corporate governance of the Company Post-Rail Merger;
- arrangements relating to the establishment of a rolling programme on the level of flat production arising from tenders for railway property development; and
- arrangements in relation to the assessment of land premium amounts.

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 Property Package Agreements

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 the concession property situated on any Category 3 Property. Matters affecting the concession property situated on any Category 3 Property are dealt with under the terms of the Service Concession Agreement (as defined and summarised on pages 160 to 161).

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 of this section 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 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; and
- 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.

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 Government.

The Second SCL Agreement contains, amongst others, the following provisions. Further details are set out in the announcement of the Company dated 18 May 2011.

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- 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;
- 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;
- 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 Government.

The Third SCL Agreement contains, amongst others, the following provisions. Further details are set out in the announcement of the Company dated 29 May 2012.

- 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;
- 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;

- 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 Government.

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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; and
- 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.

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 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 was approved by the Finance Committee on 16 January 2010.

The Second XRL Agreement contains, amongst others, the following provisions. Further details are set out in the announcement of the Company dated 26 January 2010.

- 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 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;
- 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 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

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(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 Contract for the Automated People Mover System at the Hong Kong International Airport

On 2 July 2020, the Company entered into a contract with the AA for the maintenance of the Automated People Mover system at the Hong Kong International Airport (the "System") for a seven-year period (the "Contract") effective from 6 January 2021. For the total amount received from AA in respect of the services provided under the Contract for the year ended 31 December 2025, please refer to Note 48L to the Notes to the Consolidated Financial Statements. Based on the foregoing and the services expected to be provided by the Company under the Contract, it is expected that the highest amount per year receivable from the AA will be around HK\$250 million.

The Contract contains provisions relating to the maintenance of the System as undertaken by the Company and, in particular, it includes the following provisions:

- the duration of the Contract shall be seven years from 6 January 2021 up to and including 5 January 2028;
- the performance of scheduled maintenance works and overhaul of the System;
- the monitoring of the System against any breakdown and the related repair services where necessary; and
- the Company to carry out, in certain circumstances, upgrade work on the System.

C2 Subcontractor Warranty to the AA

On 18 May 2018, the Company, as a sub-contractor, provided a sub-contractor warranty effective from 25 September 2017 to the AA as a result of the Company having entered into a subcontract from Niigata Transys Co., Ltd. ("NTS") for the modification works of the existing System for an initial seven-year period, which was subsequently extended to mid-2026 (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 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 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 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 final payment certificate was issued on 28 June 2019.

The WIL Project Agreement includes, amongst others, the following provisions. Further details are set out in the announcement of the Company dated 13 July 2009.

- 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, further extended for a period ended on or before 31 March 2019 by a second supplemental agreement between the Company and Government dated 29 June 2018, and further extended for a period ended on 30 June 2019 by a third supplemental agreement between the Company and Government dated 29 March 2019), 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); and

- 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.

III Continuing Connected Transactions relating to the Operation of the High Speed Rail (formerly known as the Express Rail Link)

The following disclosures, in paragraphs A and B below of this section (together, the "Continuing Connected Transactions relating to the Operation of the High Speed Rail"), 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 Government entered into the Amendment Operating Agreement (the "AOA") to amend and supplement the Operating Agreement dated 9 August 2007 (as described in paragraph C of the section headed "Additional Information in respect of the Rail Merger" on pages 161 to 162), as amended (the "Existing Integrated Operating Agreement"), in order to prescribe the operational requirements that will apply to the High Speed Rail. The intent and effect of the AOA is that the operational requirements that are applicable to the existing railway network will apply in substantially the same manner to the High Speed Rail, save where any amendments are necessary to reflect the particular characteristics of, and arrangements for, the High Speed Rail.

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 High Speed Rail is properly regulated under the MTR Ordinance.

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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 (High Speed Rail)”) 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 High Speed Rail 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 High Speed Rail trains) and passenger enquiry response time;
- obligations in relation to the carrying out of the maintenance of the Company’s High Speed Rail trains outside Hong Kong;
- obligations on the Company to carry out design checks and tests to verify that the Mainland operator’s High Speed Rail trains are compatible with the Company’s infrastructure and can run on the High Speed Rail safely;
- establishing procedures with the Mainland operator for approving the Mainland operator’s trains to run on the High Speed Rail safely and for informing Government of the modification of any such trains;
- developing and maintaining a training qualification system for drivers of High Speed Rail 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 High Speed Rail train journeys, including that 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 pages 160 to 161) (the “Existing Service Concession Agreement”) in order for KCRC to grant a concession to the Company in respect of the High Speed Rail and to prescribe the operational and financial requirements that will apply to the High Speed Rail. 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 High Speed Rail, save where any amendments are necessary to reflect the particular characteristics of, and arrangements for, the High Speed Rail. 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 High Speed Rail 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 High Speed Rail 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 High Speed Rail has commenced on the Commercial Operation Date (High Speed Rail) 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 High Speed Rail; and

- (ii) the date falling immediately before the tenth anniversary of the Commercial Operation Date (High Speed Rail), 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 (High Speed Rail)").

Certain principal terms of the SSCA that are specific to the High Speed Rail include:

- Additional concession payments for the High Speed Rail

- (i) General

The additional concession payments to be made by the Company to KCRC and by KCRC to the Company in respect of the High Speed Rail (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 High Speed Rail (being discounted at a discount rate which reflects the Company's commercial rate of return in relation to the High Speed Rail).

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 High Speed Rail 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 High Speed Rail fares received or retained by the Company and revenue derived from businesses related to the High Speed Rail which may include, without limitation, advertising, telecommunications, duty free and kiosk rental.

- (iii) Fixed annual payments for the High Speed Rail

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 High Speed Rail as described above, the fixed annual payments shall comprise payments from KCRC to the Company which, in aggregate, over the Concession Period (High Speed Rail), 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 High Speed Rail:

- (a) any excess or shortfall in actual patronage of up to 15% in relation to the currently projected patronage for the High Speed Rail will be borne by the Company; and

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- (b) any excess or shortfall in actual patronage greater than 15% in relation to the currently projected patronage for the High Speed Rail 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 (High Speed Rail) 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 (High Speed Rail), 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 (High Speed Rail) that satisfy all of the following criteria:

- (i) that directly resulted from the planning and commencement of the operation of the relevant High Speed Rail 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 High Speed Rail (including, mobilisation activities in preparation for the opening of the High Speed Rail and trial operations prior to the opening of the High Speed Rail, 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 to ensure that the Company is partly protected in the event of early termination of the concession in respect of the High Speed Rail.

- High Speed Rail services

The Company is obliged to operate the High Speed Rail during the Concession Period (High Speed Rail) 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 (High Speed Rail) expires or is terminated, the Company shall, at no cost to KCRC, redeliver possession of the High Speed Rail concession property.

IV Continuing Connected Transactions relating to the Operation of the Shatin to Central Link

The following disclosures, in paragraphs IV-1 and IV-2 below of this section (together, the “Continuing Connected Transactions relating to the Operation of the Shatin to Central Link”), are made in accordance with the conditions of the Waiver, the Merger-related Waiver and Rule 14A.71 of the Listing Rules.

The Shatin to Central Link is commissioned in two parts. The Tuen Ma Line as a whole was commissioned on 27 June 2021 and formed the first part of the Shatin to Central Link. Construction of the second part of the Shatin to Central Link has been completed and commercial operations on the Shatin to Central Link as a whole commenced on 15 May 2022.

IV-1 First Part of the Shatin to Central Link – Tuen Ma Line

The first phase of the Tuen Ma Line (the “TML1”) which extended the Ma On Shan Railway (“MOSR”) from Tai Wai to Kai Tak with two stations at Hin Keng and Kai Tak, and an interchange station at Diamond Hill, was commissioned on 14 February 2020. The second phase of the Tuen Ma Line, runs from Kai Tak to Hung Hom with two new stations at Sung Wong Toi and To Kwa Wan and incorporating one existing station at Ho Man Tin, and it integrated the TML1 with West Rail into a single railway line that is known as the Tuen Ma Line (the “TML”). Commercial operations on the TML as a whole commenced on 27 June 2021. This forms the first part of the Shatin to Central Link.

Amendment Operating Agreements, Supplemental Operating Agreements and Amendment No.1 to Memorandum on Performance Requirements

On 11 February 2020, the Company and Government entered into the Amendment Operating Agreement (the “TML1 AOA”) and the Supplemental Operating Agreement (the “TML1 SOA”), to amend and supplement, respectively, the Existing Integrated Operating Agreement in order to prescribe the operational requirements, such as service standards, that will apply to the TML1. The intent and effect of the TML1 AOA and the TML1 SOA together is that the operational requirements that are applicable to the existing railway network will apply in substantially the same manner to the TML1.

On 21 June 2021, the Company and Government entered into the Amendment Operating Agreement (the “TML AOA”) to amend, and the Company and Government entered into the Supplemental Operating Agreement (the “TML SOA”) and the Amendment No.1 to Memorandum on Performance Requirements (the “Memorandum Amendment”) to supplement, the Existing Integrated Operating Agreement in order to prescribe the operational requirements that will apply to the TML as a whole, such as service standards. The intent and effect of the TML AOA, the TML SOA and the Memorandum Amendment together is that the operational requirements that are applicable to the existing railway network will apply in substantially the same manner to the TML as a whole.

The TML1 AOA, TML AOA, TML1 SOA, TML SOA and the Memorandum Amendment are each an “operating agreement” for the purposes of the MTR Ordinance, form part of the legal and regulatory regime for the operation of railways in Hong Kong and are required for the purposes of the MTR Ordinance so that the TML as a whole is properly regulated under the MTR Ordinance.

The principal terms of the TML1 AOA, TML AOA, TML1 SOA, TML SOA and the Memorandum Amendment have

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the effect of bringing the TML as a whole within the legal and regulatory regime for the operation of railways in Hong Kong contained in the Existing Integrated Operating Agreement, as explained in the paragraphs above. The amendments under (1) the TML1 AOA and TML1 SOA took effect on 14 February 2020; and (2) the TML AOA, the TML SOA and the Memorandum Amendment took effect on 21 June 2021.

IV-2 Shatin to Central Link as a whole

The second part of the Shatin to Central Link, extends from Hung Hom Station to Admiralty Station with a station at Exhibition Centre, and it integrates with the railway lines connecting Lo Wu Station and Lok Ma Chau Station to Hung Hom Station (excluding such portion of the Hung Hom Station designed and constructed pursuant to certain entrustment agreements and those assets set out in certain assignment agreements between KCRC and Government) (the “East Rail Line (Original)”) into a single railway line. This, together with the TML, forms the entire Shatin to Central Link.

A *Amendment Operating Agreement and Supplemental Operating Agreement*

On 10 May 2022, the Company and Government entered into the Amendment Operating Agreement (the “SCL AOA”) and the Supplemental Operating Agreement (the “SCL SOA”), to amend and supplement, respectively, the Existing Integrated Operating Agreement in order to prescribe the operational requirements that will apply to the Shatin to Central Link as a whole, such as service standards. The intent and effect of the SCL AOA and the SCL SOA together is that the operational requirements that are applicable to the existing railway network will apply in substantially the same manner to the Shatin to Central Link as a whole.

The SCL AOA and the SCL SOA are each an “operating agreement” for the purposes of the MTR Ordinance, form part of the legal and regulatory regime for the operation of railways in Hong Kong and are required for

the purposes of the MTR Ordinance so that the Shatin to Central Link as a whole is properly regulated under the MTR Ordinance.

The principal terms of the SCL AOA and the SCL SOA have the effect of bringing the Shatin to Central Link as a whole within the legal and regulatory regime for the operation of railways in Hong Kong contained in the Existing Integrated Operating Agreement, as explained in the paragraphs above. The amendments under the SCL AOA and the SCL SOA took effect on 10 May 2022.

B *Supplemental Service Concession Agreement*

On 10 May 2022, the Company and KCRC entered into the Supplemental Service Concession Agreement No. 4 (the “SCL SSCA”) relating to the Shatin to Central Link, to supplement the Existing Service Concession Agreement and to supersede and replace the Supplemental Service Concession Agreement No. 3 (the “TML SSCA”) dated 21 June 2021 relating to the TML, in order for KCRC to grant a concession to the Company in respect of the Shatin to Central Link as a whole and to prescribe the operational and financial requirements that will apply to the Shatin to Central Link as a whole. The TML SSCA had, in turn, superseded and replaced the Supplemental Service Concession Agreement No.2 dated 11 February 2020 relating to the TML1 (the “TML1 SSCA”). The intent and effect of the SCL 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 Shatin to Central Link as a whole, save where any amendments are necessary to reflect the particular characteristics of, and arrangements for, the Shatin to Central Link as a whole. The financial provisions in the SCL SSCA have been designed to reflect the principles contained in the Existing Integrated Operating Agreement that relate to new concession projects, such as the Shatin to Central Link other than as set out below.

The SCL SSCA is a “service concession agreement” for the purposes of the MTR Ordinance, forming 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 Shatin to Central Link as a whole is properly regulated under the MTR Ordinance.

Principal Terms of the SCL SSCA

The terms of the SCL SSCA are based substantially on the terms of the Existing Service Concession Agreement, as explained in the paragraphs above. The SCL SSCA was made on 10 May 2022 and the term of the service concession and licence granted by KCRC to the Company pursuant to the terms of the SCL SSCA commenced on 13 May 2022 (the “New Project Effective Date (NSL)”) and the commercial operation of the part of the railway line connecting such portion of the Hung Hom Station, the Exhibition Centre Station and the Shatin to Central Link Portion (as defined in the assignment deed in relation to Inland Lot No. 9070 dated 13 May 2022) (“NSL”) commenced on 15 May 2022 (the “Commercial Operation Date (NSL)”), which will terminate automatically on and from the earlier of (being the “Termination Date (SCL)”):

- (i) the effective date of the revocation of the franchise pursuant to the MTR Ordinance as it relates to the KCRC railway;
- (ii) the effective date of the withdrawal or revocation of the permission by the Director of Lands pursuant to the vesting deeds entered into between KCRC and Government as well as the revocation of the franchise pursuant to the MTR Ordinance as it relates to the Shatin to Central Link;
- (iii) any date designated as a Termination Date (SCL) for the purposes of the SCL SSCA in any legally binding agreement for any extension of the period commencing on the New Project Effective Date (NSL) and ending on the day prior to the Termination Date (SCL) (the “Concession Period (SCL)”) beyond the Natural Expiry Date (SCL) (as defined in (iv) below) on such terms and conditions as the Company on the one

hand, and KCRC (or a nominee of Government and/or any third party designated by Government) on the other may agree by way of an agreement to follow the SCL SSCA (including, without limitation, that the Company shall operate the Shatin to Central Link pursuant to a service concession as defined in the MTR Ordinance) (the “SCL Concession Extension”) (which shall supersede and replace the SCL SSCA); and

- (iv) the day falling immediately before the tenth anniversary of the Commercial Operation Date (NSL), or such later date as each of the Company, KCRC and Government may agree in a written agreement by no later than the date falling one month prior to the tenth anniversary of the Commercial Operation Date (NSL) or prior to the last extended date (where applicable) (the “Natural Expiry Date (SCL)”).

Certain principal terms of the SCL SSCA that are specific to the Shatin to Central Link include:

- Concession payments

The concession payments under the SCL SSCA consists of variable annual payments (payable by the Company to KCRC) and fixed annual payments (payable by KCRC to the Company).

- (i) Variable annual payments and fixed 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. For the purposes of calculating the variable annual payments, the revenue generated from the KCRC system shall include the actual revenue from the TML and the East Rail Line (including the NSL) fares received

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or retained by the Company and revenue derived from businesses related to the TML and the East Rail Line (including the NSL) which may include, without limitation, telecommunications and kiosk rental, subject to certain agreed adjustments.

In light of the variable annual payments described in the paragraph above and in order for the Company to be able to earn a commercial return, the fixed annual payments shall comprise payments from KCRC to the Company over the Concession Period (SCL). 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.

(ii) Estimated net amount of the concession payments

Based on the Concession Period (SCL) terminating on the Natural Expiry Date (SCL), the estimated net amount of the concession payments under the SCL SSCA (taking into account both the estimated variable annual payments and the fixed annual payments for the Shatin to Central Link) payable by the Company to KCRC is expected, in aggregate, to be approximately HK\$1,036 million (subject to certain agreed adjustments) over the Concession Period (SCL).

- Equalisation payment

If the Termination Date (SCL) occurs prior to 31 December 2028, 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 Shatin to Central Link.

- A new legally binding agreement in relation to an SCL Concession Extension for the Shatin to Central Link

On and from 1 January 2029 (or such earlier date as may be agreed in writing by the Company, KCRC and Government) up to and including the date that is twelve months before the Natural Expiry Date (SCL) (prior to any extension) or such later date as may be agreed in writing by the Company, KCRC and Government, Government, the Company and KCRC shall commence exclusive negotiations in good faith with a view to agreeing the terms of a legally binding agreement in relation to a SCL Concession Extension (including, without limitation, that the Company shall operate the Shatin to Central Link pursuant to a service concession as defined in the MTR Ordinance) which shall apply to the Shatin to Central Link the Existing Integrated Operating Agreement and which should in accordance with the Existing Integrated Operating Agreement, enable the Company to earn a commercial rate of return from its operation of the Shatin to Central Link.

- Return requirements

If the Concession Period (SCL) expires or is terminated, and there has been no SCL Concession Extension, the Company shall, at no cost to KCRC, redeliver possession of the Shatin to Central Link concession property (which, for the avoidance of doubt, excludes the MOSR, the West Rail Line and the East Rail Line (Original)).

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 High Speed Rail and the Continuing Connected Transactions relating to the Operation of the Shatin to Central Link (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 High Speed Rail, 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 Continuing Connected Transactions relating to the Operation of the Shatin to Central Link, paragraph B(I)(i) of the Merger-related Waiver and paragraph B(I)(iii)(a) of the Waiver, 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 report on 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 (Revised) “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 High Speed Rail, 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 Continuing Connected Transactions relating to the Operation of the Shatin to Central Link, paragraph B(I)(ii) of the Merger-related Waiver and paragraph B(I)(iii)(b) of the Waiver, the auditors have provided letters 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; and
- (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.

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 2007 Circular, 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 of this section describes the payment framework adopted in respect of the Rail Merger and other paragraphs below of this section set out summaries of certain 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”.

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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 of this section), being the upfront fee for the right to operate the Service Concession (as defined in paragraph B below of this section) 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 page 144) in consideration for the execution of the Property Package Agreements (as described in the 2007 Circular) and the sale of the shares in the subsidiaries of KCRC (the “KCRC Subsidiaries”) 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 in this section, 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 in this section);
- 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 High Speed Rail and to prescribe the operational and financial requirements that will apply to the High Speed Rail. Further details are set out in the sub-section headed “III Continuing Connected Transactions relating to the Operation of the High Speed Rail (formerly known as the Express Rail Link)” in the section headed “Continuing Connected Transactions”.

On 11 February 2020, the Company and KCRC entered into the TML1 SSCA in order for KCRC to grant a concession to the Company in respect of the TML1 of the Shatin to Central Link and to prescribe the operational and financial requirements that will apply to the TML1.

On 21 June 2021, the Company and KCRC further entered into the TML SSCA in order for KCRC to grant a concession to the Company in respect of the TML and to prescribe the operational and financial requirements that will apply to the TML, which superseded the TML1 SSCA.

On 10 May 2022, the Company and KCRC entered into the SCL SSCA in order for KCRC to grant a concession to the Company in respect of the Shatin to Central Link as a whole and to prescribe the operational and financial requirements that will apply to the Shatin to Central Link as a whole, which superseded the TML SSCA.

Further details are set out in the sub-section headed “IV Continuing Connected Transactions relating to the Operation of the Shatin to Central Link” in the section headed “Continuing Connected Transactions”.

C Operating Agreement

The Operating Agreement was entered into on 9 August 2007 between the Company and 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

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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 Government entered into the AOA to amend and supplement the Operating Agreement dated 9 August 2007, as amended, in order to prescribe the operational requirements that will apply to the High Speed Rail. Further details are set out in the sub-section headed “III Continuing Connected Transactions relating to the Operation of the High Speed Rail (formerly known as the Express Rail Link)” in the section headed “Continuing Connected Transactions”.

On 11 February 2020, the Company and Government entered into the TML1 AOA and the TML1 SOA, to amend and supplement, respectively, the Existing Integrated Operating Agreement, in order to prescribe the operational requirements that will apply to the TML1 of the Shatin to Central Link. On 21 June 2021, the Company and Government further entered into the TML AOA, the TML SOA and the Memorandum Amendment, to amend and supplement, respectively, the Existing Integrated Operating Agreement in order to prescribe the operational requirements that will apply to the TML of the Shatin to Central Link. On 10 May 2022, the Company and Government entered into the SCL AOA and the SCL SOA, to amend and supplement, respectively, the Existing Integrated Operating Agreement, in order to prescribe the operational requirements that will apply to the Shatin to Central Link as a whole. Further details are set out in the sub-section headed “IV Continuing Connected Transactions relating to the Operation of the Shatin to Central Link” in the section headed “Continuing Connected Transactions”.

D Memorandum on Performance Requirements

The Memorandum on Performance Requirements was signed by the Company and Government on 9 August 2007. It sets out the prescribed formulae for calculating the Performance Requirements. Further details are set out in the section headed “Amendment Operating Agreements, Supplemental Operating Agreements and Amendment No.1 to Memorandum on Performance Requirements” under paragraph “IV-1 First Part of the Shatin to Central Link – Tuen Ma Line” in the sub-section headed “IV Continuing Connected Transactions relating to the Operation of the Shatin to Central Link” in the section headed “Continuing Connected Transactions”.

E Additional Property Package Agreements

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.

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 OPERATING EXPENDITURE

There are defined procedures for the appraisal, review and approval of major capital and operating expenditure. During the year ended 31 December 2025, the employment of consultancy services over 0.1% of the net assets of the Group and other capital and operating expenditure over 0.3% of the net assets of the Group required 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 Group'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 and subordinated perpetual guaranteed capital securities 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 27001:2022 on the Information Security Management System that complies with the required standard for the comprehensive scope of IT services operation. The Innovation and Technology Executive Management Committee ("I&T EMC") sets the direction, policies and strategy, and cultivates best practices on innovation and technology ("I&T") and cyber security for the Company. It steers and oversees the management and performance of all matters relating to I&T initiatives and cyber security. Various security controls have been implemented and are reviewed regularly to protect the Company from cyber-attacks. The Information Security Management Committee, chaired by the Chief Information Officer and reporting to the I&T EMC, provides oversight of information security issues and the implementation of the Company's cybersecurity strategies, policies and guidelines.

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 2025 and on 12 March 2026 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 Financial Statements on pages 172 to 258 have been prepared on a going concern basis. The Board has reviewed the Group's budget for 2026, 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 Board of Directors to fix their remuneration.

For and on behalf of the Board

Gillian Elizabeth Meller
Company Secretary
Hong Kong, 12 March 2026