

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the members of MTR Corporation Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of MTR Corporation Limited ("the Company") and its subsidiaries ("the Group") set out on pages 172 to 258, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Railway construction projects under entrustment by the HKSAR Government	
Refer to note 22 to the consolidated financial statements and the accounting policies in note 2X	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group and the Government of the Hong Kong Special Administrative Region ("HKSAR Government") have entered into certain entrustment arrangements whereby the Group has been entrusted by the HKSAR Government to proceed with the planning, design, construction, testing and commissioning of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("the HSR") and the Shatin to Central Link ("the SCL"). As the HKSAR Government is the owner of both the HSR and the SCL, the financing of the development of these two railway lines is borne by the HKSAR Government, with project management fees payable to the Group.</p> <p>HSR Pursuant to an agreement entered into with the HKSAR Government on 30 November 2015, the Group will bear and finance project costs for the HSR (including the Group's project management fees) which exceed HK\$84.42 billion and the HKSAR Government reserves the right to refer to arbitration the question of the Group's liability, if any, in respect of the project costs borne and financed by the HKSAR Government which exceed HK\$65 billion up to HK\$84.42 billion. In the event that the Group is found to be liable under the relevant HSR entrustment agreements, the Group's liability for such costs is currently limited to the amount of the project management fees and certain other additional fees received by the Group under the agreements.</p> <p>In September 2018, construction of the HSR was completed following which commercial operations commenced.</p> <p>Based on the information available including the progress of finalising construction contracts, management does not currently believe there is any need to revise further the total project costs of HK\$84.42 billion. No provision for project costs has been made in this respect.</p>	<p>Our audit procedures in relation to railway construction projects under entrustment by the HKSAR Government included the following:</p> <ul style="list-style-type: none"> inspecting the minutes of the relevant committees of the Group and discussing with management the current status of the HSR and SCL projects, including the forecast total project costs, assessment of contract claims, estimate of further internal costs to be incurred and the assessment of the financial implications of the projects for the Group; assessing the design and implementation of management's key internal controls over the project cost assessment; comparing, on a sample basis, costs incurred during the current year in respect of the HSR and SCL with underlying contracts and interim or final payment certificates; assessing the provisions made for the Hung Hom Incidents Related Costs and Project Management Costs by inspecting, on a sample basis, the relevant underlying documentation and, where applicable, the actual amounts incurred during the year;

Railway construction projects under entrustment by the HKSAR Government (continued)

Refer to note 22 to the consolidated financial statements and the accounting policies in note 2X (continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>SCL</p> <p>Towards the end of the first half of 2018, there were allegations concerning workmanship in relation to the Hung Hom Station extension. Subsequently, the Group advised the HKSAR Government of an insufficiency of construction records and certain construction issues at the Hung Hom North Approach Tunnel, the South Approach Tunnel and the Hung Hom Stabling Sidings. A commission of enquiry ("COI") was set up by the HKSAR Government to investigate, inter-alia, certain construction works at the Hung Hom station extension. A redacted final report from the COI was published in May 2020, in which the COI determined that it is satisfied that, with suitable measures completed, the relevant structures will be safe and fit for purpose. The management considered that the suitable measures for the relevant structures have been completed.</p> <p>The Group announced that it would fund, on an interim and without prejudice basis, certain costs arising from the Hung Hom incidents and certain costs associated with the phased opening of the Tuen Ma Line ("Hung Hom Incidents Related Costs"), which were estimated to be around HK\$2 billion in aggregate, and has charged the full amount of such estimate in its consolidated statement of profit or loss for the year ended 31 December 2019.</p> <p>In February 2020, the Group notified the HKSAR Government of the latest estimate of the cost to complete the SCL Project of HK\$82,999 million including the additional project management fee payable to the Group of HK\$1,371 million, which increased from the original estimate of HK\$70,827 million. In June 2020, the Legislative Council approved additional funding amounting to HK\$10,801 million sought by the HKSAR Government, which excludes the Hung Hom Incidents Related Costs and the additional project management fee for the Group, and the HKSAR Government has maintained its position of disagreement to any increase in the project management fee. The Group has announced that it would continue to meet, on an interim and without prejudice basis, the costs of complying with its project management obligations under the entrustment agreements, which were estimated to be around HK\$1,371 million ("Project Management Costs"), and has charged the full amount of such estimate in its consolidated statement of profit or loss for the year ended 31 December 2020.</p> <p>In May 2022, construction of the SCL was completed following which commercial operations commenced.</p> <p>The above matters are ongoing and the timing of their ultimate resolution and any further financial impact to the Group are highly uncertain at this stage.</p> <p>In the event that the Group is found to be liable under the entrustment agreements, the Group's liability is currently limited to a cap equal to the aggregate fees received by the Group under the relevant SCL agreements. However, such cap could not be relied upon if the Group were, in accordance with general principles of law, found to be liable for any loss that had been caused by the fraudulent or other dishonest conduct of its employees or agents.</p> <p>We identified railway construction projects under entrustment by the HKSAR Government as a key audit matter because the arrangements in respect of these railway projects are highly complex and convey rights and obligations on the Group which could potentially have significant financial implications for the Group.</p>	<ul style="list-style-type: none">• holding discussions with management and the Group's external legal advisors to assess the Group's legal obligations and financial exposure in connection with the HSR and SCL projects; and• assessing the disclosures in the consolidated financial statements in relation to the HSR and SCL projects with reference to the requirements of the prevailing accounting standards.

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Valuation of investment properties ("IP")	
Refer to note 20A to the consolidated financial statements and the accounting policies in note 2E(i)	
The Key Audit Matter	How the matter was addressed in our audit
<p>The fair value of the Group's IP as at 31 December 2025 was HK\$93,188 million, with a loss from fair value remeasurement for the year ended 31 December 2025 recorded in the consolidated statement of profit or loss of HK\$3,538 million.</p> <p>The Group's IP, which are mainly located in Hong Kong, principally comprise shopping malls and office premises.</p> <p>The fair values of the Group's IP were assessed by external property valuers based on independent valuations.</p> <p>We identified valuation of the Group's IP as a key audit matter because of the significance of IP to the consolidated financial statements and because the determination of the fair values involves significant judgement and estimation, particularly in selecting the appropriate valuation methodology, market yields and market rents.</p>	<p>Our audit procedures to assess the valuation of the Group's IP included the following:</p> <ul style="list-style-type: none"> obtaining and inspecting the IP valuation reports prepared by the external property valuers; evaluating the independence, qualifications, expertise and objectivity of the external property valuers; evaluating the valuation methodologies adopted with reference to prevailing accounting standards and those applied by other external property valuers for similar property types; holding discussions with management and the external property valuers and challenging the key assumptions and estimates adopted in the valuations, including prevailing market rents and market yields applied by comparing, on a sample basis, the key estimates adopted with comparable available market data with the assistance of our internal valuation specialists; and comparing the tenancy information, including occupancy status and market rents, provided by the Group to the external property valuers with underlying contracts and documentation, on a sample basis.
Assessing impairment of fixed assets other than assets carried at revalued amounts	
Refer to notes 20B and 21 to the consolidated financial statements and the accounting policies in note 2G(ii)	
The Key Audit Matter	How the matter was addressed in our audit
<p>The carrying value of the Group's fixed assets other than assets carried at revalued amounts as at 31 December 2025 totalled HK\$149,632 million and the related depreciation and amortisation charge for the year ended 31 December 2025 amounted to HK\$6,252 million.</p> <p>The carrying values of these assets are reviewed annually by management for potential indicators of impairment. For assets where such indicators exist, management performs detailed impairment reviews, taking into account, inter alia, the impact of revenue assumptions and technical factors which may affect the expected remaining useful lives and carrying value of the assets.</p> <p>Shenzhen Metro Line 4 ("SZL4") In July 2020, the Shenzhen Municipal Government announced that a fare adjustment framework for the Shenzhen Metro network would come into effect on 1 January 2021. The framework was expected to enable the establishment of a mechanism for fare setting and the implementation procedures for fare adjustments.</p> <p>There has been no increase in SZL4's fare since the operations started in 2010 whilst the operating costs continue to rise. The Group anticipated that the mechanism and procedures for fare adjustments will take longer time to implement and patronage will remain at a lower level for a period of time. Based on the impairment assessment performed by management for the year ended 31 December 2022, impairment losses of HK\$962 million were recognised on fixed assets in that year related to the SZL4's service concession assets. As at 31 December 2025, the Group has performed a further impairment review and did not identify any indication of additional impairment or reversal of impairment previously made, based on the latest operating assumptions.</p> <p>We identified the assessment of impairment of fixed assets other than assets carried at revalued amounts as a key audit matter because the assessment can involve a significant degree of management judgement in determining the key assumptions such as patronage, fare and discount rates.</p>	<p>Our audit procedures to assess the impairment of fixed assets other than assets carried at revalued amounts included the following:</p> <ul style="list-style-type: none"> discussing indicators of impairment on fixed assets with management, and where such indicators were identified, evaluating management's impairment assessments and the assumptions adopted therein, including patronage and fare assumptions, with reference to the actual patronage levels achieved in the current year, latest developments of fare adjustment mechanism and implementation procedures, future operating plans and broader city specific developments; involving our internal valuation specialists to assess the methodology and significant assumptions including discount rates adopted by management in its impairment assessment for SZL4; comparing the assumptions adopted in the prior year's impairment assessments with actual results for the current year, investigating significant variances identified and considering the impact on the current year's impairment assessments; and performing sensitivity analyses for the discount rates applied and the assumptions for revenue levels adopted and considering the information used to derive the most sensitive assumptions and whether there were any indicators of management bias in their selection.

Profits tax assessment relating to the Rail Merger

Refer to note 16B to the consolidated financial statements and the accounting policies in note 2V

The Key Audit Matter

How the matter was addressed in our audit

Since the Rail Merger with Kowloon-Canton Railway Corporation (the "Rail Merger") in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of the amortisation of upfront payment and cut-over liabilities, and fixed annual payments ("FAPs") and variable annual payments ("VAPs") relating to the Rail Merger (collectively "the Sums"). The total tax amount in respect of the Sums for the years of tax assessment from 2007/2008 to 2025/2026 amounted to HK\$6.5 billion. As of 31 December 2025, deduction of the Sums in the computation of the Company's assessable profits for the years of assessment from 2009/2010 to 2017/2018 was disallowed by the Inland Revenue Department of Hong Kong ("IRD").

On 16 June 2022, the Company lodged a notice of appeal to the Board of Review against the Commissioner of Inland Revenue's determination which confirmed the profits tax assessment and additional profits tax assessment from 2011/12 to 2017/18 (i.e. holding that the Sums are not deductible in the computation of the Company's assessable profits for those years of assessment).

In the opening submissions before the Board of Review, the Company decided not to pursue its deduction claims in respect of the amortisation of the upfront payment and the cut-over liabilities amounted to HK\$0.2 billion. As the Group and the Company had already made the related tax provision for such amounts in the past years, no additional tax provision was required.

On 6 August 2024, the Board of Review issued its decision ("the Board of Review Decision") and disagreed with the deduction claims of the FAPs and VAPs for the years of assessment from 2011/2012 to 2017/2018, i.e. confirming the relevant profits tax assessment/ additional profits tax assessments in respect of the FAPs and VAPs being non-tax deductible.

On 4 September 2024, the Company lodged an application to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region ("the Court of First Instance") for leave to appeal against the Board of Review Decision.

The hearing for the application for leave to appeal was held before the Court of First Instance in late February 2025. On 27 May 2025, the Court of First Instance handed down its decision and granted leave for the Company to appeal against the Board of Review Decision. The Company has conferred with external legal counsel and its tax advisor and the advice obtained is that the Company currently continues to have strong legal grounds to support its position. As such, no additional tax provision has been made. The Company has proceeded with its appeal against the Board of Review and the hearing of the appeal before the Court of First Instance is scheduled to be held in early 2027.

We identified the profits tax assessment relating to the Rail Merger as a key audit matter because of its significance to the Group's consolidated financial statements and the high degree of management judgement in interpreting the applicable tax laws and in assessing the likelihood of the tax position being upheld by the judiciary.

Our audit procedures in relation to the profits tax assessment relating to the Rail Merger included the following:

- engaging our internal Hong Kong tax specialists to assist in discussions with management to understand their assessments, reading the correspondence with the IRD and the Board of Review Decision to identify key areas of dispute and assess potential risks, challenging the assumptions, critical judgements, and interpretation of applicable tax laws and technical analyses, and assessing any indication of management bias;
- discussing with the Group's internal legal counsels about the status of legal proceedings and reading the opinions from the Group's external legal counsel about their views on the interpretation of applicable tax laws, the likely outcome of material tax dispute in relation to the Rail Merger, and the magnitude of potential exposure, if any; and
- evaluating the reasonableness of the accounting and disclosures related to the uncertain tax position with reference to the requirements of the prevailing accounting standards.

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Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit & Risk Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit & Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Sze Kit Roy (practising certificate number: P05567).

KPMG

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12 March 2026