

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Statement of Compliance

These financial statements have been prepared in compliance with the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements have also been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The HKFRS Accounting Standards are fully converged with IFRS Accounting Standards in all material respects. Material accounting policies adopted by the Group is set out in note 2.

The HKICPA has issued a number of new or amended HKFRS Accounting Standards that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2025. None of these have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 52).

2 Material Accounting Policies

A Basis of Preparation of the Consolidated Financial Statements

(i) The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties (note 2E(i));
- self-occupied buildings (note 2E(ii));
- investments in securities (note 2M); and
- derivative financial instruments (note 2T).

(ii) The preparation of the consolidated financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements and estimations about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the consolidated financial statements and estimates are discussed in note 51.

B Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures (note 2D) made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from or to the date of their acquisition or disposal, as appropriate.

C Subsidiaries and Non-controlling Interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group or other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the consolidated statement of profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (note 2D).

Investments in subsidiaries are carried in the Company's statement of financial position at cost less any impairment losses (note 2G(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material Accounting Policies *(continued)*

D Associates and Joint Ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements of the Group using the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investees' net assets and any impairment loss relating to the investment (note 2G(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. The Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year is recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses equals or exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the investee is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit losses ("ECL") model to such other long-term interests where applicable (note 2G(i))).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated statement of profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (note 2G(ii)).

E Fixed Assets

(i) Investment Properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include properties that are being constructed or developed for future use as investment properties.

Investment properties are stated at fair value as measured semi-annually by independent professionally qualified valuers. Gains or losses arising from changes in the fair value are recognised in the consolidated statement of profit or loss in the period in which they arise.

(ii) Other Property, Plant and Equipment

Leasehold land registered and located in the Hong Kong Special Administrative Region is stated at cost less accumulated depreciation and impairment losses (notes 2H and 2G(ii)). Self-occupied leasehold buildings where the Group is the registered owner of the property interest are stated at their fair value at the date of revaluation less any subsequent accumulated depreciation (note 2H). Revaluations are performed by independent professionally qualified valuers semi-annually, with changes in the fair value arising on revaluations recorded as movements in the fixed assets revaluation reserve, except:

(a) where the balance of the fixed assets revaluation reserve relating to a self-occupied leasehold building is insufficient to cover a revaluation deficit of that property, the excess of the deficit is charged to the consolidated statement of profit or loss; and

(b) where a revaluation deficit had previously been charged to the consolidated statement of profit or loss and a revaluation surplus subsequently arises, this surplus is firstly credited to the consolidated statement of profit or loss to the extent of the deficit previously charged to the consolidated statement of profit or loss, and thereafter taken to the fixed assets revaluation reserve.

Civil works and plant and equipment, including right-of-use assets arising from freehold or leasehold properties where the Group is not the registered owner of the property interest, and right-of-use assets arising from leases of underlying plant and equipment are stated at cost less accumulated depreciation and impairment losses (notes 2H and 2G(ii)).

2 Material Accounting Policies *(continued)*

E Fixed Assets *(continued)*

Assets under construction include capital works on operating railway and are stated at cost less impairment losses (note 2G(ii)). Cost comprises direct costs of construction, such as materials, staff costs and overheads, together with interest expense capitalised during the period of construction or installation and testing. The cost of abnormal amounts of wasted material, labour, or other resources incurred is not included in the costs of the asset and charged as an expense in the consolidated statement of profit or loss when incurred. Capitalisation of these costs ceases and the asset concerned is transferred to the appropriate fixed assets category when substantially all the activities necessary to prepare the asset for its intended use are completed.

In the event any assets under construction are no longer held for use and it is not probable that future economic benefits associated with these assets will flow to the Group, the associated cost capitalised by then will be charged to profit or loss in the reporting period when such conditions met.

(iii) Service Concession Assets

Where the Group enters into service concession arrangements under which the Group acquires the right to access, use and operate certain assets for the provision of public services, upfront payments and expenditure directly attributable to the acquisition of the service concession up to inception of the service concession are capitalised as service concession assets and amortised on a straight-line basis over the period of the service concession. Annual payments over the period of the service concession with the amounts fixed at inception are capitalised at their present value, calculated using the incremental long term borrowing rate determined at inception as the discount rate, as service concession assets and amortised on a straight-line basis over the period of the service concession, with a corresponding liability recognised as obligations under service concession. Annual payments for the service concession which are not fixed or determinable at inception and are contingent on future revenue are charged to the consolidated statement of profit or loss in the period when incurred.

Where the Group enters into service concession arrangements under which the Group constructs, uses and operates certain assets for the provision of public services, construction revenue and costs are recognised in the consolidated statement of profit or loss by reference to the stage of completion at the end of the reporting period while the fair value of construction service is capitalised initially as service concession assets in the consolidated statement of financial position and amortised on a straight-line basis over the shorter of the assets' useful lives and the period in which the service concession assets are expected to be available for use by the Group.

Expenditure for assets subject to service concession is capitalised and amortised on a straight-line basis at rates sufficient to write off their cost less their estimated residual value, if any, over the shorter of the assets' useful lives and the remaining period in which the service concession assets are expected to be available for use by the Group.

Service concession assets are carried at cost less accumulated amortisation and impairment losses, if any (notes 2H and 2G(ii)).

(iv) Subsequent Expenditure and Gains or Losses on Retirement or Disposal

Subsequent expenditure relating to the replacement and/or upgrade of certain parts of an existing asset is recognised in the carrying amount of the asset if it is probable that future economic benefit will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised, with any gain or loss arising therefrom being dealt with in the consolidated statement of profit or loss.

Expenditure on repairs or maintenance of an existing asset to restore or maintain the originally assessed standard of performance of that asset is charged as an expense in the consolidated statement of profit or loss when incurred.

Gains or losses arising from the retirement or disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such gains or losses are recognised as income or expense in the consolidated statement of profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the fixed assets revaluation reserve to retained profits and is not re-classified to consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material Accounting Policies *(continued)*

F Leased Assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a Lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (notes 2H and 2G(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2E(i);
- right-of-use assets related to self-occupied leasehold buildings where the Group is the registered owner of the leasehold interest are carried at fair value in accordance with note 2E(ii); and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 2L.

Depreciation and interest expenses arising from right-of-use assets and lease liabilities related to railway construction projects and property development in progress are capitalised as "Railway Construction in Progress" and "Property Development in Progress."

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") and that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2Y(ii).

G Impairment of Assets

(i) Credit Losses from Financial Instruments, Contract Assets and Lease Receivables

For the Group's trade receivables, contract assets and lease receivables, the Group recognises a loss allowance for ECL which is measured at an amount equal to "lifetime ECLs" (which are the losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies). For the Group's other financial assets measured at amortised cost, the loss allowance is measured at an amount equal to "12-month ECLs" (which are losses that are expected to result from possible default events within the 12 months after the reporting date) unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to "lifetime ECLs". Financial assets measured at fair value are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 Material Accounting Policies *(continued)*

G Impairment of Assets *(continued)*

(ii) Impairment of Other Assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (including right-of-use assets and service concession assets but other than assets carried at revalued amounts);
- property management rights;
- goodwill;
- railway construction in progress;
- deferred expenditure; and
- investments in subsidiaries, associates and joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount for goodwill is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount of the asset. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of profit or loss in the year in which the reversals are recognised.

H Depreciation and Amortisation

(i) Investment properties are not depreciated.

(ii) Fixed assets other than investment properties (note 2E(ii)), assets under construction (note 2H(iii)) and service concession assets which are amortised over the entire or remaining period of the service concession (note 2E(iii)) are depreciated or amortised on a straight-line basis at rates sufficient to write off their cost or valuation, less their estimated residual value, if any, over their estimated useful lives as follows:

- Land and Buildings

Self-occupied buildings the shorter of 50 years and the unexpired term of the lease
Leasehold land the unexpired term of the lease

- Civil Works

Excavation and boring Indefinite
Tunnel linings, underground civil structures, overhead structures and immersed tubes 100 years
Station building structures 100 years
Depot structures 80 years
Kiosk structures 20 – 30 years
Cableway station tower and theme village structures 27 – 30 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material Accounting Policies *(continued)*

H Depreciation and Amortisation *(continued)*

- Plant and Equipment

Rolling stock and components	3 – 42 years
Platform screen doors	10 – 35 years
Rail track	7 – 60 years
Environmental control systems, lifts and escalators, fire protection and drainage system	5 – 45 years
Power supply systems	5 – 40 years
Aerial ropeway and cabin	10 – 27 years
Automatic fare collection systems, metal station kiosks, and other mechanical equipment	9 – 25 years
Train control and signalling equipment, station announcement systems, telecommunication systems and advertising panels	5 – 35 years
Station architectural finishes	20 – 30 years
Fixtures and fittings	10 – 25 years
Maintenance equipment	10 – 40 years
Office furniture and equipment	5 – 15 years
Computer software licences and applications	5 – 10 years
Computer equipment	3 – 5 years
Cleaning equipment and tools	5 years
Motor vehicles	5 – 12 years

Where parts of an item of property, plant and equipment have different useful lives, each part is depreciated or amortised separately. The useful lives of the various categories of fixed assets are reviewed annually in the light of actual asset condition, usage experience and the current asset replacement programme.

- (iii) No depreciation or amortisation is provided on assets under construction until the construction is completed and the assets are ready for their intended use.

I Construction Costs of Railway Construction Projects

- (i) Costs incurred by the Group in respect of proposed railway related construction projects (including consultancy fees, in-house staff costs and overheads) are dealt with as follows:

- where the proposed projects are at a preliminary review stage and are not yet considered probable of materialising, the costs concerned are charged to the consolidated statement of profit or loss; and
- where the proposed projects are at a detailed study stage and/or at construction stage, having been supported by a feasible financial plan, the costs concerned are recorded as deferred expenditure until such time as a project agreement is reached and the Group is obligated to operate the related railway, whereupon the costs are transferred to railway construction in progress which is stated at cost less impairment losses (note 2G(ii)). In the event the project agreement cannot be reached and the costs concerned are not considered recoverable, the costs concerned are charged to the consolidated statement of profit or loss immediately.

- (ii) After entering into a project agreement and the Group is obligated to operate the related railway, all costs (including construction costs, consultancy fees, inhouse staff costs and overhead) incurred in the construction of the railway are dealt with as railway construction in progress which is stated at cost less impairment losses (note 2G(ii)). Upon commissioning of the railway line, the relevant costs are transferred to fixed assets (note 2E).

J Joint Operations

A joint operation is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses relating to its interest with similar items on a line by line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The arrangements entered into by the Group with developers for Hong Kong property development without establishing separate entities are considered to be joint operations in accordance with HKFRS 11, *Joint Arrangements*. Under the development arrangements, the Group is normally responsible for its own costs, including in-house staff costs and the costs of enabling works, and the developers normally undertake to pay for all other project costs such as land premium (or such remaining portion as not already paid by the Group), construction costs, professional fees, etc. In respect of its interests in such operations, the Group accounts for the purchase costs of development rights, costs of enabling works (including any interest accrued) and land costs (including any land premiums) incurred net of payments or distributions of the assets received as property development in progress. In cases where payments or distributions of the assets received from developers exceed the related expenditures incurred by the Group, such excess is recorded as deferred income. Expenses incurred by the Group on staff, overhead and consultancy fees in respect of these developments are also capitalised as property development in progress. The Group's share of profits earned from such operations is recognised in the consolidated statement of profit or loss on the basis of note 2K(iii) after netting off any related balance in property development in progress at that time.

2 Material Accounting Policies *(continued)*

K Property Development

(i) Property development in progress comprise costs incurred by the Group in respect of site preparation, land costs, acquisition of development rights, aggregate cost of development, borrowing costs capitalised, provisions and other direct expenses, and are stated initially at their cost and subsequently carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions less estimated costs of completion and costs to be incurred in selling the property.

(ii) Payments or distributions of the assets received from developers in respect of Hong Kong property developments under joint operations arrangement are offset against the amounts in property development in progress attributable to that development. Payments or distributions of the assets received from developers in excess of the balance in property development in progress are transferred to deferred income which is included in the consolidated statement of financial position under "Creditors, other payables and provisions". In these cases, further costs subsequently incurred by the Group in respect of that development are charged against deferred income.

(iii) Profits arising from the development of properties in Hong Kong undertaken under joint operations arrangement are recognised in the consolidated statement of profit or loss as follows:

- where the Group receives payments from developers in excess of the balance in property development in progress (i.e. resulting in deferred income), profits arising from such payments are recognised when the foundation and site enabling works are complete and acceptable for development, and after taking into account the outstanding risks and obligations, if any, retained by the Group in connection with the development;
- where the Group receives distributions of the assets of the developments in excess of the balance in property development in progress (i.e. resulting in deferred income), profit is recognised based on the fair value of such assets at the time of receipt, and after taking into account the outstanding risks and obligations, if any, retained by the Group in connection with the development; and
- where the Group receives a right to a share of the net surplus from the development, the Group's share of the profit is initially recognised once the amounts of revenue (including the fair value of any unsold properties) and costs for the development as a whole can be estimated reliably. The Group's interest in any unsold properties is subsequently remeasured on a basis consistent with the policy set out in note 2L and included within properties held for sale.

Upon recognition of profit, property development in progress relating to that development is charged to the consolidated statement of profit or loss, if any. Deferred income arising from the outstanding risks and obligations retained by the Group in connection with the development is included in the consolidated statement of financial position under "Creditors, other payables and provisions". The outstanding risks and obligations retained by the Group in connection with the development will be reassessed at the end of each reporting period. Any reduction in the amount of outstanding risks and obligations will be accounted for as a decrease in deferred income and a corresponding profit in that reporting period.

(iv) Revenue arising from sales of properties not under joint operations arrangement is recognised when the legal assignment is completed, which is the point in time when the purchaser has the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under "Creditors, other payables and provisions".

(v) Where costs are incurred for the construction and/or the related fitting out costs for the properties under construction to be received from a development, those costs are initially capitalised in deferred expenditure before the receipt of such properties, and subsequently recognised as the respective assets upon receipt.

L Properties Held for Sale

Where properties are held for sale, those properties are stated initially at their cost and subsequently carried at the lower of cost and net realisable value.

For those properties in Hong Kong, cost represents the fair value, as determined by reference to an independent open market valuation, upon the recognition of profits arising from the development as set out in note 2K(iii).

For those properties in Chinese Mainland, cost is determined by the apportionment of the development costs attributable to the unsold properties.

Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

The amount of any write-down of properties to net realisable value is recognised as an expense in the period the write-down occurs. The amount of any reversal of any write-down of properties arising from an increase in net realisable value is recognised as a reduction in the cost of properties sold in the period in which the reversal occurs.

When properties held for sale are sold, the carrying amount of those properties is recognised in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material Accounting Policies *(continued)*

M Investments in Securities

Investments in securities (other than investments in subsidiaries, associates and joint ventures) are classified into one of the following measurement categories:

(i) Non-equity investments

Non-equity investments are classified as fair value through profit or loss ("FVPL") when the contractual cash flows of the investment do not represent solely payments of principal and interest or the Group irrevocably designates the investment as measured at FVPL at initial recognition. Changes in the fair value of the investment (including interest) are recognised in the consolidated statement of profit or loss. If the contractual cash flows of the non-equity investments represent solely payments of principal and interest, and the Group does not designate the investment as measured at FVPL at initial recognition, the investment would be classified as amortised cost, as the Group does not invest in such instruments other than principally to collect those contractual cash flows. Interest income calculated using the effective interest method (see note 2Z) and foreign exchange gain and losses are recognised in the consolidated statement of profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL. Dividends from an investment in equity securities are recognised in the consolidated statement of profit or loss.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investments. Profit or loss on disposal of investments in securities are determined as the difference between the net disposal proceeds and the carrying amount of the investments and are accounted for in the consolidated statement of profit or loss as they arise.

N Stores and Spares

Stores and spares used for business operation are categorised as either revenue or capital. Revenue spares are stated at cost, using the weighted average cost method and are recognised as expenses in the period in which the consumption occurs. Provision is made for obsolescence where appropriate. Capital spares are included in fixed assets and stated at cost less accumulated depreciation and impairment losses (note 2H and 2G(ii)). Depreciation is charged at the rates applicable to the relevant fixed assets against which the capital spares are held in reserve.

O Contract Assets and Contract Liabilities

A contract asset is recognised when the Group recognises revenue (note 2Y) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2G(i) and are reclassified to receivables when the right to the consideration has become unconditional (note 2Q).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (note 2Y). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (note 2Q).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (note 2Z).

P Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value with a maturity at acquisition within three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Q Debtors and Other Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (note 2O). Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (note 2G(i)).

R Interest-bearing Borrowings

Interest-bearing borrowings are measured initially at fair value net of transaction costs incurred. The interest-bearing borrowings not subject to fair value hedges are subsequently stated at amortised costs using effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for interest and finance charges (note 2Z).

Subsequent to initial recognition, the carrying amount of interest-bearing borrowings subject to fair value hedges is remeasured and the change in fair value attributable to the risk being hedged is recognised in the consolidated statement of profit or loss to offset the effect of the gain or loss on the related hedging instrument.

2 Material Accounting Policies *(continued)*

S Creditors and Other Payables

Creditors and other payables are stated at amortised cost if the effect of discounting would be material, otherwise they are stated at cost.

T Derivative Financial Instruments and Hedging Activities

The Group uses derivative financial instruments such as interest rate swaps and currency swaps to manage its interest rate and foreign exchange exposure. Based on the Group's policies, these instruments are used solely for reducing or eliminating financial risks associated with the Group's investments and liabilities and not for trading or speculation purposes.

Derivatives are recognised at fair value and are remeasured at their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

Where hedge accounting applies, the Group designates derivatives employed as either: (1) a fair value hedge: to hedge the fair value of recognised liabilities; (2) a cash flow hedge: to hedge the variability in cash flows of a recognised liability or the foreign currency risk of a firm commitment; or (3) a hedge of a net investment: to hedge the variability in cash flows of a monetary item that is receivable from or payable to a foreign operation where the settlement for the monetary item is neither planned nor likely to occur in foreseeable future.

(i) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated statement of profit or loss, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income which is accumulated separately in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are transferred to the consolidated statement of profit or loss in the periods when the hedged item is recognised in the consolidated statement of profit or loss. However, when the transaction in respect of the hedged item results in the recognition of a non-financial asset or liability, the associated gains and losses that were previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial cost or carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the transaction in respect of the hedged item is still expected to occur, the cumulative gain or loss existing in equity at that time remains in equity until the transaction occurs and it is recognised in accordance with the above policy. However, if the transaction in respect of the hedged item is no longer expected to occur, the gain or loss accumulated in equity is immediately transferred to the consolidated statement of profit or loss.

(iii) Hedge of a Net Investment

The effective portion of changes in the fair value of derivatives that are designated and qualified as hedges of net investments in foreign operations is recognised in other comprehensive income which is accumulated separately in equity in the exchange reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are transferred to the consolidated statement of profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

(iv) Costs of Hedging

Foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. If the Group excludes the foreign currency basis spread of a financial instrument (the "excluded elements") from the designation of a hedging instrument, then the fair value changes of these excluded elements are recognised in other comprehensive income and accumulated in the costs of hedging reserve within equity. These elements at the date of designation (to the extent that they relate to the hedged item) are amortised on a systematic and rational basis to profit or loss over the hedging period.

(v) Derivatives that do not qualify for Hedge Accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss.

U Employee Benefits

(i) Salaries, annual leave, other allowances, contributions to defined contribution retirement schemes, including contributions to Mandatory Provident Funds ("MPF") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, and other costs of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where these benefits are incurred for staff relating to construction projects, capital works and property developments, they are capitalised as part of the cost of the qualifying assets. In other cases, they are recognised as expenses in the consolidated statement of profit or loss as incurred.

(ii) The Group's net obligation from defined benefit plans includes defined benefit retirement schemes operated or participated by the Group and long service payment ("LSP") under the Hong Kong Employment Ordinance. The amount is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years and discounting that amount. For defined benefit retirement schemes' obligation, the amount is estimated after deducting the fair value of scheme assets. For LSP obligation, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's mandatory contributions to the retirement schemes that have been vested with employees, which are deemed to be contributions from the relevant employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material Accounting Policies *(continued)*

U Employee Benefits *(continued)*

The calculation of net obligation from defined benefit plans is performed by a qualified actuary using the Projected Unit Credit Method. For defined benefit retirement schemes, when the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme. Service cost and net interest expense/income on the net defined benefit liability/asset are recognised either as an expense in the consolidated statement of profit or loss, or capitalised as part of the cost of the relevant construction projects, capital works or property developments, as the case may be. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense/income for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/asset. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the weighted average duration of the scheme's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in the consolidated statement of profit or loss or capitalised at the earlier of when the scheme amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise of actuarial gains and losses, the return on scheme assets in defined benefit retirement schemes (excluding amounts included in net interest on the net defined benefit liability/asset) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/asset).

(iii) Equity-settled share-based payments are measured at fair value at the date of grant. For award shares under the Executive Share Incentive Scheme, the amounts to be expensed as staff costs are determined by reference to the fair value of the award shares granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognised over the relevant vesting periods, with a corresponding credit to the employee share-based capital reserve under equity.

For those award shares which are amortised over the vesting periods, the Group reviews its estimates of the number of award shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to consolidated statement of profit or loss in the year of the review, with a corresponding adjustment to the employee share-based capital reserve. Upon vesting of award shares, the related costs of the vested award shares purchased from the market (the "purchased shares") and shares received in relation to scrip dividend and shares purchased from the proceeds of cash ordinary dividends received (the "ordinary dividend shares") are credited to Shares held for Executive Share Incentive Scheme, with a corresponding decrease in employee share-based capital reserve for the purchased shares, and decrease in retained profits for the ordinary dividend shares.

(iv) For cash-settled share-based payments, a liability equal to the portion of the services received is recognised at the fair value of the shares determined at the end of each reporting period.

(v) Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

V Income Tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets also arise from unused tax losses and unused tax credits. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary differences (provided they are not part of a business combination). Deferred tax is not recognised for those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the OECD.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

2 Material Accounting Policies *(continued)*

V Income Tax *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2E(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

W Financial Guarantee Contracts

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment to the holder when due in accordance with the original or modified terms of a debt instrument.

When the Group issues a financial guarantee, where the effect is material, the fair value of the guarantee, after netting off any consideration received or receivable at inception, is initially debited to the consolidated statement of profit or loss and recognised as deferred income within creditors, other payables and provisions. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

The amount of the guarantee initially recognised as deferred income is amortised in the consolidated statement of profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in creditors, other payables and provisions in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation). To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2G(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

X Provisions, Contingent Liabilities and Onerous Contracts

(i) Provisions and Contingent Liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous Contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental cost of fulfilling the obligation under that contract and an allocation of other costs that relate directly to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material Accounting Policies *(continued)*

Y Revenue Recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Further details of the Group's revenue and other income recognition policies are as follows:

- (i) Fare revenue is recognised when the journey is provided.
- (ii) Rental income from investment properties, station kiosks and other railway premises under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.
- (iii) Contract revenue is recognised when the outcome of a consultancy, construction or service contract can be estimated reliably. Contract revenue is recognised progressively over-time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. When the outcome of a consultancy, construction or service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.
- (iv) Income from other railway and station commercial businesses, property management, railway franchises and service concessions are recognised when the services are provided.

Z Interest and Finance Charges

Interest income and expense directly attributable to the financing of capital projects prior to their completion or commissioning are capitalised. Exchange differences arising from foreign currency borrowings relating to the acquisition of assets are capitalised to the extent that they are regarded as an adjustment to capitalised interest costs. Interest expense attributable to other purposes is charged to the consolidated statement of profit or loss.

Finance charges on lease liabilities are charged to the consolidated statement of profit or loss over the period of the lease so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

AA Foreign Currency Translation

Foreign currency transactions during the year are translated into Hong Kong dollars and recorded at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the consolidated statement of profit or loss.

The results of foreign entities are translated into Hong Kong dollars at the average exchange rates for the year. Statement of financial position items are translated into Hong Kong dollars at the closing exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

AB Segment Reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of businesses and operations in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services and products, the type or class of customers, the methods used to provide the services or distribute the products, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Material Accounting Policies *(continued)*

AC Related Parties

For the purposes of these financial statements, a person, or a close member of that person's family, is related to the Group if that person has control, joint control or significant influence over the Group, or is a member of the key management personnel of the Group.

An entity is related to the Group if (i) the entity and the Group are members of the same group; (ii) the entity is an associate or joint venture of the Group; (iii) the entity is a post-employment benefit scheme for the benefit of employees of the Group or of any entity that is a related party of the Group; (iv) an individual who is a related party of the Group has control or joint control over that entity; (v) a person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of that entity; or (vi) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

AD Government Grants

Government grants are assistance by governments in the form of transfer of resources in return for the Group's compliance with the conditions attached thereto. Government grants which represent compensation for the cost of an asset are deducted from the cost of the asset in arriving at its carrying value to the extent of the amounts received and receivable as at the end of the reporting period. Government grants which represent compensation for expenses or losses are deducted from the related expenses. Any excess of the amount of grant received or receivable over the cost of the asset or the expenses or losses at the end of the reporting period are carried forward as advance receipts or deferred income to set off against the future cost of the asset or future expenses or losses.

3 Rail Merger with Kowloon-Canton Railway Corporation and Operating Arrangements for the High Speed Rail and the Shatin to Central Link

A Rail Merger

On 2 December 2007 (the "Appointed Day"), the Company's operations merged with those of Kowloon-Canton Railway Corporation ("KCRC") (the "Rail Merger"). The structure and key terms of the Rail Merger were set out in a series of transaction agreements entered into between, inter alia, the Government of the Hong Kong Special Administrative Region (the "HKSAR Government" or "Government"), KCRC and the Company including the Service Concession Agreement, Property Package Agreements and Merger Framework Agreement.

Pursuant to the Service Concession Agreement ("SCA"), KCRC granted the Company the right to access, use and operate the KCRC system for an initial term of 50 years (the "Concession Period"), which will be extended if the franchise period (as it relates to the KCRC railway) is extended. In accordance with the terms of the SCA, the Company paid an upfront lump sum to KCRC on the Appointed Day and is obliged to pay to KCRC fixed annual payments and variable annual payments (calculated on a tiered basis by reference to the revenue generated from the KCRC system above certain thresholds).

Under the SCA, the Company is responsible for the expenditure incurred in relation to the maintenance, repair, replacement and upgrade of the KCRC system (with any new assets acquired being classified as "additional concession property"). To the extent that such expenditure exceeds an agreed threshold ("Capex Threshold"), the Company will be reimbursed for any above-threshold expenditure at the end of the Concession Period with such reimbursement to be on the basis of depreciated book value.

Details of the Rail Merger are disclosed in the Company's circular dated 3 September 2007.

B Operating Arrangements for the High Speed Rail

On 23 August 2018, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the then current agreements to enable the Company to operate the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("High Speed Rail" or "HSR") in substantially the same manner as the existing railway network. Under the supplemental service concession agreement that was executed on 23 August 2018 ("SSCA-HSR"), the operating period with respect to the HSR is for an initial term of 10 years from 23 September 2018 ("Concession Period (High Speed Rail)"), which may be extended subject to further negotiation between the Company and KCRC in accordance with the mechanism set out in the SSCA-HSR. Under the SSCA-HSR, the Company is responsible for the expenditure incurred in relation to the maintenance, repair, replacement and upgrade of the concession property of the High Speed Rail (with any new assets acquired being classified as "additional concession property (High Speed Rail)"). To the extent that such expenditure exceeds an agreed threshold ("Capex Threshold (High Speed Rail)"), the Company will be reimbursed for any above-threshold expenditure at the end of the concession period with such reimbursement to be on the basis of depreciated book value.

Details of the SSCA-HSR are disclosed in the Company's announcement dated 23 August 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Rail Merger with Kowloon-Canton Railway Corporation and Operating Arrangements for the High Speed Rail and the Shatin to Central Link *(continued)*

C Operating Arrangements for the Shatin to Central Link

The Shatin to Central Link ("SCL") was commissioned in two parts:

- (a) The first part of the SCL extended the previously existing Ma On Shan Railway from Tai Wai Station to the West Rail Line via East Kowloon to form the Tuen Ma Line. The Tuen Ma Line was in turn commissioned in two phases:
- (i) The First Phase of Tuen Ma Line extended the previously existing Ma On Shan Railway from Tai Wai Station to Kai Tak Station with two new stations at Hin Keng and Kai Tak, and incorporating one existing station at Diamond Hill, and was commissioned on 14 February 2020.
- (ii) The Second Phase of Tuen Ma Line extends from Kai Tak Station to Hung Hom Station 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 existing First Phase of Tuen Ma Line with the West Rail Line into a single railway line known as the Tuen Ma Line, and was commissioned on 27 June 2021.
- (b) The second part of the SCL extended the East Rail Line (Original) from Hung Hom Station to Admiralty Station via the new Exhibition Centre Station.

Relevant agreements with the HKSAR Government and KCRC to supplement and amend the current agreements are detailed below.

On 11 February 2020, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the then current agreements to enable the Company to operate the First Phase of Tuen Ma Line in substantially the same manner as the existing railway network for a period of two years from 14 February 2020 including a supplemental service concession agreement ("SSCA1-SCL") with KCRC.

On 21 June 2021, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the current agreements to enable the Company to operate the Tuen Ma Line, in substantially the same manner as the existing railway network for a period of two years from 27 June 2021 including the supplemental service concession agreement ("SSCA2-SCL") signed with KCRC. The SSCA2-SCL replaced the SSCA1-SCL.

On 10 May 2022, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the current agreements to enable the Company to operate the SCL as a whole in substantially the same manner as the existing railway network but for a period of ten years from 15 May 2022, being the date of commissioning and commercial operation of the second part of the SCL, including the supplemental service concession agreement ("SSCA3-SCL") signed with KCRC. The SSCA3-SCL superseded and replaced the SSCA2-SCL. Prior to the expiry of this ten-year period, the parties are obliged to commence exclusive negotiations in good faith with a view to agreeing the terms of a legally binding agreement in relation to an extension of SCL concession (including, without limitation, that the Company shall operate the SCL pursuant to a service concession as defined in the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong) ("MTR Ordinance")), which shall apply to the SCL the Operating Agreement dated 9 August 2007 and which should in accordance with the Operating Agreement dated 9 August 2007, enable the Company to earn a commercial rate of return from its operation of the SCL.

Details of the SSCA1-SCL, SSCA2-SCL and SSCA3-SCL are disclosed in the Company's announcements dated 11 February 2020, 21 June 2021 and 10 May 2022 respectively.

4 Revenue from Hong Kong Transport Operations

Revenue from Hong Kong transport operations comprises:

in HK\$ million	2025	2024
Domestic Service	14,681	14,507
Cross-boundary Service	3,796	3,562
High Speed Rail and Intercity Service	3,461	3,338
Airport Express	854	803
Light Rail and Bus	712	698
Others	91	105
	23,595	23,013

Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service) and Tuen Ma Lines. Others include mainly by-law infringement surcharge, Octopus load agent fees and other rail-related income.

5 Revenue from Hong Kong Station Commercial Businesses

Revenue from Hong Kong station commercial businesses comprises:

in HK\$ million	2025	2024
Duty free shops and kiosks	3,664	3,616
Advertising	1,000	1,021
Telecommunication income	546	582
Other station commercial income	135	124
	5,345	5,343

6 Revenue from Hong Kong Property Rental and Management Businesses

Revenue from Hong Kong property rental and management businesses comprises:

in HK\$ million	2025	2024
Property rental income	4,736	5,076
Property management income	331	303
	5,067	5,379

7 Revenue and Expenses Relating to Chinese Mainland and International Subsidiaries

Revenue and expenses relating to Chinese Mainland and international subsidiaries comprise:

in HK\$ million	2025		2024	
	Revenue	Expenses*	Revenue	Expenses*
Melbourne's Metropolitan Rail Services	12,237	11,381	12,996	12,131
Sydney Metro – M1 Metro North West and Bankstown Line**	1,511	1,395	1,601	1,445
Sydney Metro City & Southwest (Design and Delivery)	882	825	1,225	1,139
MTR Nordic***	2,715	2,485	3,730	3,558
London Elizabeth Line	1,378	1,130	3,255	3,051
Shenzhen Metro Line 4 ("SZL4")	826	658	800	662
Shenzhen Metro Line 13 ("SZL13") Phase 1 project	978	1,056	1,312	1,313
Others	159	22	548	512
	20,686	18,952	25,467	23,811
Property development in Chinese Mainland	14	5	–	3
Total Chinese Mainland and international subsidiaries	20,700	18,957	25,467	23,814

* Expenses include staff costs of HK\$9,152 million (2024: HK\$10,599 million) (note 10A) and maintenance and related work costs of HK\$2,635 million (2024: HK\$3,247 million).

** The Sydney Metro – M1 Metro North West and Bankstown Line comprises the former Sydney Metro North West Line and operation of city section of Sydney Metro City & Southwest opened in August 2024.

*** MTR Nordic mainly comprises the Stockholm Metro and MTR Tech (2024: Stockholm Metro, MTR Tech, MTRX, Stockholm Commuter Rail ("Stockholms pendeltåg") and Mälartåg) operations in Sweden.

The Group completed handover to the next operators for London Elizabeth Line and Stockholm Metro in Sweden in May 2025 and November 2025 respectively, disposed of its operations of Beijing Ginza Mall in Chinese Mainland and MTRX in Sweden in May 2024, as well as early terminated the concessions for Stockholms pendeltåg and Mälartåg in Sweden in March 2024 and June 2024 respectively. In this regard, included in "Expenses relating to Chinese Mainland and international subsidiaries" during the year ended 31 December 2024 was a net aggregated loss of HK\$148 million principally arising from the disposal of the Group's operation in Beijing Ginza Mall.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Revenue from Other Businesses

Revenue from other businesses comprises income from:

in HK\$ million	2025	2024
Ngong Ping 360	483	489
Consultancy business	191	234
Miscellaneous businesses	84	86
	758	809

9 Segmental Information

The Group's businesses consist of (i) recurrent businesses (comprising Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, and other businesses (collectively referred to as "recurrent businesses in Hong Kong"), and Chinese Mainland and international railway, property rental and management businesses (referred as "recurrent businesses outside of Hong Kong"), and both excluding fair value measurement of investment properties) and (ii) property development businesses (together with recurrent businesses referred to as "underlying businesses").

The Group manages its businesses by the various business executive committees. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

- (i) Hong Kong transport operations: The provision of passenger operation and related services on the domestic mass transit railway system in Hong Kong, the Airport Express serving both the Hong Kong International Airport and the AsiaWorld-Expo at Chek Lap Kok, cross-boundary railway connection with Chinese Mainland at Lo Wu and Lok Ma Chau, the HSR, light rail and bus feeder with railway system in the north-west New Territories and intercity railway transport with certain cities in Chinese Mainland.
- (ii) Hong Kong station commercial businesses: Commercial activities including the letting of advertising, retail and car parking spaces at railway stations, the provision of telecommunication, bandwidth and data centre services in railway and other premises, and other commercial activities within the Hong Kong transport operations network.
- (iii) Hong Kong property rental and management businesses: The letting of retail, office and car parking spaces and the provision of property management services in Hong Kong.
- (iv) Hong Kong property development: Property development activities at locations near the railway systems in Hong Kong.
- (v) Chinese Mainland and international railway, property rental and management businesses: The construction, operation and maintenance of mass transit railway systems including station commercial activities outside of Hong Kong and the letting of retail spaces and provision of property management services in Chinese Mainland.
- (vi) Chinese Mainland property development: Property development activities in Chinese Mainland.
- (vii) Other businesses: Businesses not directly relating to transport operations or properties such as Ngong Ping 360, which comprises cable car operation in Tung Chung and related businesses at the Ngong Ping Village, railway consultancy business, investment in Octopus Holdings Limited and the provision of project management services to the HKSAR Government.

9 Segmental Information (continued)

The results of the reportable segments and reconciliation to the corresponding consolidated totals in the consolidated financial statements are shown below:

in HK\$ million	Hong Kong transport services			Chinese Mainland and international affiliates				Un-allocated amount	Total
	Hong Kong transport operations	Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development	Chinese Mainland and international railway, property rental and management businesses	Chinese Mainland property development	Other businesses		
2025									
Revenue from contracts with customers within the scope of HKFRS 15	23,595	1,697	427	–	20,619	14	729	–	47,081
– Recognised at a point in time	22,199	46	–	–	3,753	14	481	–	26,493
– Recognised over time	1,396	1,651	427	–	16,866	–	248	–	20,588
Revenue from other sources	–	3,648	4,640	–	67	–	29	–	8,384
– Lease payments that are fixed or depend on an index or a rate	–	3,588	4,511	–	66	–	11	–	8,176
– Variable lease payments that do not depend on an index or a rate	–	60	129	–	1	–	–	–	190
– Others	–	–	–	–	–	–	18	–	18
Total revenue	23,595	5,345	5,067	–	20,686	14	758	–	55,465
Operating expenses	(15,691)	(761)	(1,212)	–	(18,952)	(5)	(682)	–	(37,303)
Project study and business development expenses	–	–	–	–	(258)	–	–	(194)	(452)
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	7,904	4,584	3,855	–	1,476	9	76	(194)	17,710
Hong Kong property development profit from share of surplus, income and interest in unsold properties	–	–	–	13,212	–	–	–	–	13,212
Loss from fair value measurement of investment properties	–	–	(1,839)	–	(221)	–	–	–	(2,060)
Operating profit/(loss) before depreciation, amortisation and variable annual payment	7,904	4,584	2,016	13,212	1,255	9	76	(194)	28,862
Depreciation and amortisation	(5,492)	(267)	(27)	–	(536)	–	(74)	–	(6,396)
Variable annual payment	(2,666)	(657)	(7)	–	–	–	–	–	(3,330)
Share of profit of associates and joint ventures	–	–	–	–	380	–	407	–	787
(Loss)/profit before interest, finance charges and taxation	(254)	3,660	1,982	13,212	1,099	9	409	(194)	19,923
Interest and finance charges	–	–	–	–	17	26	–	(1,049)	(1,006)
Income tax	–	–	–	(2,146)	(401)	(17)	–	(795)	(3,359)
(Loss)/profit for the year ended 31 December 2025	(254)	3,660	1,982	11,066	715	18	409	(2,038)	15,558
Assets									
Fixed assets	140,185	3,423	92,080	–	9,617	–	399	–	245,704
Other segment assets	8,791	811	726	2,278	8,046	1,808	931	44,504	67,895
Property management rights	–	–	7	–	–	–	–	–	7
Railway construction in progress	17,879	–	–	–	–	–	–	–	17,879
Property development in progress	–	–	–	43,054	–	–	–	–	43,054
Deferred expenditure	122	–	–	16	–	–	–	–	138
Deferred tax assets	–	1	–	–	483	2	–	23	509
Investments in securities	–	–	–	–	12	386	807	6,071	7,276
Properties held for sale	–	–	–	2,857	–	5	–	–	2,862
Interests in associates and joint ventures	–	–	–	–	11,780	–	1,834	–	13,614
Total assets	166,977	4,235	92,813	48,205	29,938	2,201	3,971	50,598	398,938
Liabilities									
Segment liabilities	28,202	2,081	2,866	21,967	10,237	302	716	106,286	172,657
Obligations under service concession	9,729	–	–	–	157	–	–	–	9,886
Total liabilities	37,931	2,081	2,866	21,967	10,394	302	716	106,286	182,543
Other information									
Capital expenditure on:									
Fixed assets	11,000	311	329	–	3,160	–	39	–	14,839
Deferred expenditure	60	–	–	16	–	–	–	–	76
Railway construction in progress	9,178	–	–	–	–	–	–	–	9,178
Property development in progress	–	–	–	5,768	–	–	–	–	5,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Segmental Information (continued)

in HK\$ million	Hong Kong transport services			Chinese Mainland and international affiliates				Un-allocated amount	Total
	Hong Kong transport operations	Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development	Chinese Mainland and international railway, property rental and management businesses	Chinese Mainland property development	Other businesses		
2024									
Revenue from contracts with customers within the scope of HKFRS 15	23,013	1,742	397	–	25,370	–	795	–	51,317
– Recognised at a point in time	21,616	35	–	–	4,134	–	497	–	26,282
– Recognised over time	1,397	1,707	397	–	21,236	–	298	–	25,035
Revenue from other sources	–	3,601	4,982	–	97	–	14	–	8,694
– Lease payments that are fixed or depend on an index or a rate	–	3,506	4,841	–	95	–	10	–	8,452
– Variable lease payments that do not depend on an index or a rate	–	95	141	–	2	–	–	–	238
– Others	–	–	–	–	–	–	4	–	4
Total revenue	23,013	5,343	5,379	–	25,467	–	809	–	60,011
Operating expenses	(15,319)	(685)	(1,184)	–	(23,811)	(3)	(702)	–	(41,704)
Project study and business development expenses	–	–	–	–	(283)	–	–	(120)	(403)
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	7,694	4,658	4,195	–	1,373	(3)	107	(120)	17,904
Hong Kong property development profit from share of surplus, income and interest in unsold properties	–	–	–	12,185	–	–	–	–	12,185
Loss from fair value measurement of investment properties	–	–	(1,329)	–	(374)	–	–	–	(1,703)
Operating profit/(loss) before depreciation, amortisation and variable annual payment	7,694	4,658	2,866	12,185	999	(3)	107	(120)	28,386
Depreciation and amortisation	(5,359)	(265)	(19)	–	(433)	–	(68)	–	(6,144)
Variable annual payment	(2,398)	(620)	(7)	–	–	–	–	–	(3,025)
Share of profit of associates and joint ventures	–	–	–	–	900	–	440	–	1,340
(Loss)/profit before interest, finance charges and taxation	(63)	3,773	2,840	12,185	1,466	(3)	479	(120)	20,557
Interest and finance charges	–	–	–	–	88	38	–	(1,158)	(1,032)
Income tax	–	–	–	(1,950)	(404)	(5)	–	(1,099)	(3,458)
(Loss)/profit for the year ended 31 December 2024	(63)	3,773	2,840	10,235	1,150	30	479	(2,377)	16,067
Assets									
Fixed assets	135,596	3,762	95,086	–	8,302	–	444	–	243,190
Other segment assets	8,077	897	857	4,882	9,042	1,716	1,033	26,123	52,627
Property management rights	–	–	9	–	–	–	–	–	9
Railway construction in progress	11,375	–	–	–	–	–	–	–	11,375
Property development in progress	–	–	–	42,300	–	–	–	–	42,300
Deferred expenditure	63	–	–	1	–	–	–	–	64
Deferred tax assets	–	–	–	–	479	14	–	28	521
Investments in securities	–	–	–	–	11	372	569	1,000	1,952
Properties held for sale	–	–	–	2,411	–	11	–	–	2,422
Interests in associates and joint ventures	–	–	–	–	11,264	–	1,775	–	13,039
Total assets	155,111	4,659	95,952	49,594	29,098	2,113	3,821	27,151	367,499
Liabilities									
Segment liabilities	27,057	2,445	2,736	29,763	11,240	318	1,495	96,343	171,397
Obligations under service concession	9,816	–	–	–	153	–	–	–	9,969
Total liabilities	36,873	2,445	2,736	29,763	11,393	318	1,495	96,343	181,366
Other information									
Capital expenditure on:									
Fixed assets	11,108	333	540	–	2,263	–	40	–	14,284
Deferred expenditure	10	–	–	2	–	–	–	–	12
Railway construction in progress	7,114	–	–	–	–	–	–	–	7,114
Property development in progress	–	–	–	1,922	–	–	–	–	1,922

9 Segmental Information (continued)

For the year ended 31 December 2025, profit attributable to shareholders of the Company arising from recurrent businesses in Hong Kong of HK\$4,962 million (2024: HK\$5,981 million) represents (i) the profit for the year of HK\$7,636 million (2024: HK\$8,358 million) arising from recurrent businesses in Hong Kong (after excluding loss from fair value measurement of investment properties of HK\$1,839 million (2024: HK\$1,329 million)), (ii) unallocated expenses of HK\$2,038 million (2024: HK\$2,377 million) in Hong Kong, and (iii) net of profit attributable to perpetual capital securities holders of HK\$636 million (2024: HK\$nil).

For the year ended 31 December 2025, profit attributable to shareholders of the Company arising from recurrent businesses outside Hong Kong of HK\$691 million (2024: HK\$1,229 million) represents (i) the profit for the year of HK\$936 million (2024: HK\$1,524 million) arising from recurrent business outside Hong Kong (after excluding loss from fair value measurement of investment properties of HK\$221 million (2024: HK\$374 million)), and (ii) net of profit attributable to non-controlling interests of HK\$245 million (2024: HK\$295 million).

For the year ended 31 December 2025, loss attributable to shareholders of the Company arising from fair value measurement of investment properties of HK\$2,060 million (2024: HK\$1,703 million) represents loss from fair value remeasurement on investment properties of HK\$3,538 million (2024: HK\$3,821 million), and gain from fair value measurement of investment properties on initial recognition from property development of HK\$1,478 million (2024: HK\$2,118 million).

Unallocated assets and liabilities mainly comprise cash, bank balances and deposits, investment in bank medium-term notes, tax reserve certificates, derivative financial assets and liabilities, interest-bearing loans and borrowings, current taxation, as well as deferred tax assets and liabilities.

Other segment assets mainly include debtors, stores and spares, cash, bank balances and deposits and other assets employed in the operations of individual business segments.

For the year ended 31 December 2025, revenue from one customer (2024: one customer) of Chinese Mainland and international railway, property rental and management businesses segment has exceeded 10% of the Group's revenue. Approximately 20.36% of the Group's total revenue was attributable to the customer (2024: 18.88%).

For the year ended 31 December 2025, profit before tax attributable to joint operations of HK\$14,680 million (2024: HK\$14,250 million) was recognised.

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's fixed assets, property management rights, railway construction in progress, property development in progress, deferred expenditure and interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of investment properties, other property, plant and equipment, railway construction in progress and property development in progress, the location of the proposed capital project in the case of deferred expenditure, the location of the operation to which they are related in the case of service concession assets and property management rights and interests in associates and joint ventures.

in HK\$ million	Revenue from external customers		Specified non-current assets	
	2025	2024	2025	2024
Hong Kong SAR (place of domicile)	34,758	34,531	299,050	289,820
Australia	14,630	15,822	853	841
Chinese Mainland and Macao SAR	1,966	2,592	20,493	19,300
Sweden	2,715	3,730	-	12
United Kingdom	1,396	3,336	-	4
	20,707	25,480	21,346	20,157
	55,465	60,011	320,396	309,977

As at 31 December 2025, aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is HK\$27,126 million (2024: HK\$33,423 million). This amount represents revenue expected to be recognised in the future mainly from the fixed annual payments in relation to High Speed Rail under the SSCA-HSR and in relation to Shatin to Central Link under SSCA3-SCL, as well as the construction, consultancy and project management contracts entered into with the Group's customers. The Group will recognise the expected revenue in future when or as the work is completed or as the services are rendered which is expected to occur over the next one to fifteen years.

The Group has applied the practical expedients in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from certain contracts with customers in existence at the reporting date that are billed based on the performance completed to date or have an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Operating Expenses

A Total staff costs include:

in HK\$ million	2025	2024
Amounts charged to consolidated statement of profit or loss account under:		
– staff costs and related expenses for Hong Kong transport operations	8,077	7,636
– maintenance and related works for Hong Kong transport operations	102	121
– other expense line items for Hong Kong transport operations	137	108
– expenses relating to Hong Kong station commercial businesses	153	145
– expenses relating to Hong Kong property rental and management businesses	256	245
– expenses relating to Chinese Mainland and international subsidiaries	9,152	10,599
– expenses relating to other businesses	331	315
– project study and business development expenses	328	209
Amounts capitalised in the consolidated statement of financial position under:		
– assets under construction and other projects	1,253	1,277
– service concession assets	697	764
– railway construction in progress before offset by government grant	946	940
– property development in progress	550	349
Amounts recoverable	729	690
Total staff costs	22,711	23,398

Amounts recoverable relate to property management, entrustment works and other agreements.

The following expenditures are included in total staff costs:

in HK\$ million	2025	2024
Share-based payments	132	137
Contributions to defined contribution retirement schemes and Mandatory Provident Fund	1,351	1,304
Amounts recognised in respect of defined benefit retirement schemes	307	319
	1,790	1,760

B Auditors' remuneration charged to the consolidated statement of profit or loss include:

in HK\$ million	2025	2024
Audit services	24	24
Other audit related services	7	6
Tax services	4	2
Other non-audit services	1	5
	36	37

C Loss on disposal of fixed assets of HK\$122 million (2024: HK\$167 million) is included in operating expenses.

11 Remuneration of Members of the Board and the Executive Directorate

A Remuneration of Members of the Board and the Executive Directorate

(i) The emoluments of Members of the Board and the Executive Directorate of the Company were as follows:

in HK\$ million	Fees	Base pay, allowances and benefits in kind	Retirement scheme contributions	Variable remuneration related to performance	Total
2025					
Members of the Board					
– Rex Auyeung Pak-kuen (retired on 1 January 2026)	1.8	–	–	–	1.8
– Andrew Clifford Winawer Brandler	0.6	–	–	–	0.6
– Bunny Chan Chung-bun	0.5	–	–	–	0.5
– Walter Chan Kar-lok (retired on 21 May 2025)**	0.2	–	–	–	0.2
– Cheng Yan-kee	0.6	–	–	–	0.6
– Hui Siu-wai	0.5	–	–	–	0.5
– Ayesha Macpherson Lau	0.6	–	–	–	0.6
– Sunny Lee Wai-kwong	0.6	–	–	–	0.6
– Jimmy Ng Wing-ka	0.5	–	–	–	0.5
– Susanna Shen Shuk-ching (appointed on 21 May 2025)*	0.3	–	–	–	0.3
– Carlson Tong	0.6	–	–	–	0.6
– Sandy Wong Hang-yee	0.5	–	–	–	0.5
– Adrian Wong Koon-man	0.6	–	–	–	0.6
– Anna Wong Wai-kwan	0.6	–	–	–	0.6
– Christopher Hui Ching-yu	0.5	–	–	–	0.5
– Secretary for Transport and Logistics	0.5	–	–	–	0.5
– Permanent Secretary for Development (Works)	0.5	–	–	–	0.5
– Commissioner for Transport	0.5	–	–	–	0.5
Members of the Executive Directorate					
– Jacob Kam Chak-pui (retired on 1 January 2026)***	–	14.8	1.5	9.9	26.2
– Jeny Yeung Mei-chun****	–	7.0	1.1	4.0	12.1
– David Tang Chi-fai	–	7.1	1.1	4.0	12.2
– Margaret Cheng Wai-ching	–	6.5	0.9	3.7	11.1
– Linda Choy Siu-min	–	5.1	0.7	2.8	8.6
– Carl Michael Devlin~	–	7.6	~	3.3	10.9
– Michael George Fitzgerald	–	6.4	0.9	3.2	10.5
– Tony Lee Kar-yun (retired on 1 May 2025)*****	–	2.7	0.2	1.0	3.9
– Gillian Elizabeth Meller	–	5.4	0.8	2.8	9.0
– Sammy Wong Kwan-wai	–	4.8	0.7	2.6	8.1
	10.5	67.4	7.9	37.3	123.1

* Susanna S C Shen was appointed as a Member of the Board on the date shown in the above table. The amount of her emolument shown in the above table covers the period from the date of her appointment to 31 December 2025.

** Walter K L Chan retired as a Member of the Board on the date shown in the above table. The amount of his emolument shown in the above table covers the period from 1 January 2025 to the date of his retirement.

*** Jacob C P Kam was appointed as a non-executive Director of the Company upon the expiry of his term as the Chief Executive Officer of the Company ("CEO"), whereupon he ceased to be a Member of the Executive Directorate, all with effect from 1 January 2026. The amount of his emolument for the position as the CEO shown in the above table covers the period from 1 January 2025 to 31 December 2025.

**** Jeny M C Yeung was appointed as the CEO and a Member of the Board with effect from 1 January 2026.

***** Tony K Y Lee retired as a Member of the Executive Directorate on the date shown in the above table. The amount of his emolument shown in the above table covers the period from 1 January 2025 to 30 April 2025.

~ The Company has allocated HK\$180,000 to Carl M Devlin through the Relocation Assistance Program to cover the tenancy deposit requirements.

~ ~ The total contributions paid by the Company attributable to the financial year ended 31 December 2025 for Carl M Devlin, who participated in MTR Mandatory Provident Fund Scheme (as described in note 46A(iii)) was HK\$18,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Remuneration of Members of the Board and the Executive Directorate

(continued)

A Remuneration of Members of the Board and the Executive Directorate (continued)

in HK\$ million	Fees	Base pay, allowances and benefits in kind	Retirement scheme contributions	Variable remuneration related to performance	Total
2024					
Members of the Board					
– Rex Auyeung Pak-kuen	1.8	–	–	–	1.8
– Andrew Clifford Winawer Brandler	0.6	–	–	–	0.6
– Bunny Chan Chung-bun	0.5	–	–	–	0.5
– Walter Chan Kar-lok	0.6	–	–	–	0.6
– Dorothy Chan Yuen Tak-fai (retired on 22 May 2024)**	0.2	–	–	–	0.2
– Cheng Yan-kee	0.6	–	–	–	0.6
– Hui Siu-wai	0.5	–	–	–	0.5
– Ayesha Macpherson Lau (appointed on 22 May 2024)*	0.3	–	–	–	0.3
– Sunny Lee Wai-kwong	0.6	–	–	–	0.6
– Rose Lee Wai-mun (retired on 22 May 2024)**	0.2	–	–	–	0.2
– Jimmy Ng Wing-ka	0.5	–	–	–	0.5
– Carlson Tong	0.6	–	–	–	0.6
– Sandy Wong Hang-ye	0.5	–	–	–	0.5
– Adrian Wong Koon-man	0.6	–	–	–	0.6
– Anna Wong Wai-kwan	0.6	–	–	–	0.6
– Christopher Hui Ching-yu	0.5	–	–	–	0.5
– Secretary for Transport and Logistics	0.5	–	–	–	0.5
– Permanent Secretary for Development (Works)	0.5	–	–	–	0.5
– Commissioner for Transport	0.5	–	–	–	0.5
Members of the Executive Directorate					
– Jacob Kam Chak-pui***	–	9.8	1.4	8.3	19.5
– Jeny Yeung Mei-chun	–	6.7	1.0	3.4	11.1
– David Tang Chi-fai	–	7.2	1.0	3.4	11.6
– Margaret Cheng Wai-ching	–	6.2	0.9	3.0	10.1
– Linda Choy Siu-min	–	4.8	0.7	2.4	7.9
– Carl Michael Devlin~	–	5.2	–	2.6	7.8
– Michael George Fitzgerald (appointed on 1 January 2024)	–	6.1	0.9	2.7	9.7
– Tony Lee Kar-yun	–	5.0	0.7	2.4	8.1
– Gillian Elizabeth Meller	–	5.2	0.7	2.6	8.5
– Sammy Wong Kwan-wai	–	4.6	0.2	2.2	7.0
	10.7	60.8	7.5	33.0	112.0

* Ayesha Macpherson Lau was appointed as a Member of the Board on the date shown in the above table. The amount of her emolument shown in the above table covers the period from the date of her appointment to 31 December 2024.

** Dorothy T F Chan Yuen and Rose W M Lee retired as Members of the Board on the date shown in the above table. The amounts of their emoluments shown in the above table cover the period from 1 January 2024 to the respective dates of their retirement.

*** Jacob C P Kam, being the CEO, also served as a Member of the Board.

~ The Company had allocated HK\$180,000 to Carl M Devlin through the Relocation Assistance Program to cover the tenancy deposit requirements.

~ ~ The total contributions paid by the Company attributable to the financial year ended 31 December 2024 for Carl M Devlin, who participated in MTR Mandatory Provident Fund Scheme (as described in note 46A(iii)) was HK\$18,000.

Wilson Kwong Wing-tsuen was appointed as a Member of the Executive Directorate with effect from 28 January 2026.

11 Remuneration of Members of the Board and the Executive Directorate

(continued)

A Remuneration of Members of the Board and the Executive Directorate (continued)

The above emoluments do not include the share-based payments which arose from the Executive Share Incentive Scheme as disclosed in note (ii) below.

The Director's fees in respect of the office of the Secretary for Transport and Logistics (Lam Sai-hung for the period from 1 January 2024 to 4 December 2024 and Mable Chan for the period from 5 December 2024 to 31 December 2025), the office of the Permanent Secretary for Development (Works) (Ricky Lau Chun-kit) and the office of the Commissioner for Transport (Angela Lee Chung-yan), each of whom was appointed Director by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance, were received by the HKSAR Government rather than by the individuals personally.

The Director's fee in respect of Christopher Hui Ching-yu, being the Secretary for Financial Services and the Treasury of Government, was received by the HKSAR Government rather than by the individual personally.

Alternate Directors were not entitled to Director's fees.

(ii) Restricted Shares and Performance Shares were granted to Members of the Executive Directorate under the Company's Executive Share Incentive Scheme. Performance Shares offered to Members of the Executive Directorate under such grants, in general, covered a period of three years from the date of grant. The entitlements of each of the Members of the Executive Directorate with vesting periods falling in the years ended 31 December 2025 and 2024, if any, are as follows:

- Jacob C P Kam was granted 52,750 Restricted Shares and 199,800 Performance Shares on 8 April 2021, 132,000 Contract-end Restricted Shares on 1 April 2022, 133,700 Restricted Shares on 8 April 2022, 54,700 Restricted Shares on 11 April 2023, 68,990 Performance Shares on 18 March 2024, 87,100 Restricted Shares and 392,050 Performance Shares on 8 April 2024, 33,100 Contract-end Restricted Shares on 1 April 2025, and 90,600 Restricted Shares on 8 April 2025, of which a total of 423,835 Restricted Shares were vested in 2025 (2024: 80,383 Restricted Shares and 268,790 Performance Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$8.6 million (2024: HK\$9.6 million). No award shares were lapsed/forfeited in 2025 (2024: nil);
- Jeny M C Yeung was granted 17,200 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 46,000 Restricted Shares on 8 April 2022, 25,100 Restricted Shares on 11 April 2023, 16,522 Performance Shares on 18 March 2024, 41,700 Restricted Shares and 93,550 Performance Shares on 8 April 2024, and 40,000 Restricted Shares on 8 April 2025, of which a total of 37,600 Restricted Shares were vested in 2025 (2024: 29,433 Restricted Shares and 64,372 Performance Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$1.8 million (2024: HK\$2.3 million). No award shares were lapsed/forfeited in 2025 (2024: nil);
- David C F Tang was granted 17,200 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 46,000 Restricted Shares on 8 April 2022, 25,100 Restricted Shares on 11 April 2023, 16,522 Performance Shares on 18 March 2024, 41,700 Restricted Shares and 93,550 Performance Shares on 8 April 2024, and 40,000 Restricted Shares on 8 April 2025, of which a total of 37,600 Restricted Shares were vested in 2025 (2024: 29,433 Restricted Shares and 64,372 Performance Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$1.8 million (2024: HK\$2.3 million). No award shares were lapsed/forfeited in 2025 (2024: nil);
- Margaret W C Cheng was granted 17,450 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 39,500 Restricted Shares on 8 April 2022, 23,300 Restricted Shares on 11 April 2023, 16,522 Performance Shares on 18 March 2024, 38,650 Restricted Shares and 93,550 Performance Shares on 8 April 2024, and 37,100 Restricted Shares on 8 April 2025, of which a total of 33,817 Restricted Shares were vested in 2025 (2024: 26,750 Restricted Shares and 64,372 Performance Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$1.8 million (2024: HK\$2.3 million). No award shares were lapsed/forfeited in 2025 (2024: nil);
- Linda S M Choy was granted 13,500 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 32,200 Restricted Shares on 8 April 2022, 17,550 Restricted Shares on 11 April 2023, 16,522 Performance Shares on 18 March 2024, 24,200 Restricted Shares and 93,550 Performance Shares on 8 April 2024, and 28,750 Restricted Shares on 8 April 2025, of which a total of 24,650 Restricted Shares were vested in 2025 (2024: 21,083 Restricted Shares and 64,372 Performance Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$1.5 million (2024: HK\$1.9 million). No award shares were lapsed/forfeited in 2025 (2024: nil);
- Carl M Devlin was granted 7,700 Restricted Shares and 7,300 Performance Shares on 8 April 2022, 15,700 Restricted Shares on 11 April 2023, 2,520 Performance Shares on 18 March 2024, 25,800 Restricted Shares and 93,550 Performance Shares on 8 April 2024, and 30,700 Restricted Shares on 8 April 2025, of which a total of 16,401 Restricted Shares were vested in 2025 (2024: 7,799 Restricted Shares and 9,820 Performance Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$1.5 million (2024: HK\$1.3 million). No award shares were lapsed/forfeited in 2025 (2024: nil);
- Michael G Fitzgerald was granted 60,900 Restricted Shares on 25 September 2023, 30,150 Restricted Shares and 93,550 Performance Shares on 8 April 2024, and 28,650 Restricted Shares on 8 April 2025, of which a total of 30,350 Restricted Shares were vested in 2025 (2024: 20,300 Restricted Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$1.8 million (2024: HK\$1.9 million). No award shares were lapsed/forfeited in 2025 (2024: nil);

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11 Remuneration of Members of the Board and the Executive Directorate

(continued)

A Remuneration of Members of the Board and the Executive Directorate (continued)

- Tony K Y Lee was granted 13,550 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 34,050 Restricted Shares on 8 April 2022, 14,850 Restricted Shares on 11 April 2023, 16,522 Performance Shares on 18 March 2024, 30,600 Restricted Shares and 93,550 Performance Shares on 8 April 2024, and 14,700 Restricted Shares on 8 April 2025, of which a total of 66,550 Restricted Shares were vested in 2025 (2024: 20,818 Restricted Shares and 64,372 Performance Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$1.7 million (2024: HK\$2.0 million). No award shares were lapsed/forfeited in 2025 (2024: nil);
- Gillian E Meller was granted 14,250 Restricted Shares and 47,850 Performance Shares on 8 April 2021, 34,600 Restricted Shares on 8 April 2022, 19,550 Restricted Shares on 11 April 2023, 16,522 Performance Shares on 18 March 2024, 25,950 Restricted Shares and 93,550 Performance Shares on 8 April 2024, and 30,850 Restricted Shares on 8 April 2025, of which a total of 26,700 Restricted Shares were vested in 2025 (2024: 22,799 Restricted Shares and 64,372 Performance Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$1.5 million (2024: HK\$2.0 million). No award shares were lapsed/forfeited in 2025 (2024: nil); and
- Sammy K W Wong was granted 7,350 Restricted Shares and 10,100 Performance Shares on 8 April 2021, 8,050 Restricted Shares on 8 April 2022, and 16,400 Restricted Shares on 11 April 2023, 3,487 Performance Shares on 18 March 2024, 21,800 Restricted Shares and 93,550 Performance Shares on 8 April 2024, and 25,900 Restricted Shares on 8 April 2025, of which a total of 15,416 Restricted Shares were vested in 2025 (2024: 10,599 Restricted Shares and 13,587 Performance Shares), and the respective fair value of the share-based payments recognised for the year ended 31 December 2025 was HK\$1.4 million (2024: HK\$1.3 million). No award shares were lapsed/forfeited in 2025 (2024: nil).

The details of the interest in the Company's shares of the Members of the Board and the Members of the Executive Directorate are disclosed in the Report of the Members of the Board and note 45.

(iii) For the years ended 31 December 2025 and 2024, the five individuals with the highest emoluments were Members of the Executive Directorate of the Company, whose emoluments are shown above.

(iv) The aggregate emoluments and share-based payments of Members of the Board and the Executive Directorate for the year was HK\$146.5 million (2024: HK\$138.9 million).

(v) The Company has a service contract with each of the independent non-executive Directors ("INEDs")/non-executive Directors ("NEDs") (excluding three additional Directors appointed pursuant to Section 8 of the MTR Ordinance) specifying the terms of his/her continuous appointments as an INED/a NED and a Member of the relevant Board Committees and/or Advisory Panel, for a period not exceeding three years. He/she is also subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles of Association where applicable. Dr Rex P K Auyeung, the non-executive Chairman of the Company since 1 July 2019, was re-appointed by the Financial Secretary Incorporated ("FSI") on 7 March 2024 for an additional one-and-a-half-year term, to 31 December 2025. Dr Jacob C P Kam was appointed by the FSI as non-executive Chairman of the Company for a term commencing from 1 January 2026 until 31 December 2028 (both dates inclusive).

B Award Shares

Award Shares granted, vested, lapsed and/or forfeited, and outstanding in respect of each Member of the Executive Directorate for the year ended 31 December 2025 are set out in the Report of the Members of the Board.

Under the Executive Share Incentive Scheme as described in note 45, all Members of the Executive Directorate may be granted an award of Restricted Shares and/or Performance Shares (collectively known as "Award Shares"). Restricted Shares are awarded on the basis of individual performance. Performance Shares are awarded every three years and vest subject to the performance of the Company over a pre-determined performance period, assessed with reference to such Board-approved performance metric and in respect of such performance period, and any other performance conditions, as determined by the Remuneration Committee from time to time.

Award Shares granted to the Members of the Executive Directorate under the Company's Executive Share Incentive Scheme are expensed as share-based payments under staff costs as set out in note 2U(iii). In accordance with that policy, staff costs are determined by reference to the fair value of the award shares granted, taking into account all non-vesting conditions associated with the grants and recognised over the relevant vesting periods, and includes adjustments to reverse amounts accrued in previous years where grants of Award Shares are lapsed/forfeited prior to vesting.

An award of Restricted Shares will vest ratably over three years in equal tranches (unless otherwise determined by the Remuneration Committee). An award of Performance Shares will vest upon certification by the Remuneration Committee that the relevant performance metric and performance conditions have been achieved.

12 Hong Kong Property Development Profit from Share of Surplus, Income and Interest in Unsold Properties

Hong Kong property development profit from share of surplus, income and interest in unsold properties comprises:

in HK\$ million	2025	2024
Share of surplus, income and interest in unsold properties from property development	13,202	12,132
Agency fee and other income from West Rail property development (note 24C)	15	60
Overheads	(5)	(7)
Hong Kong property development profit (pre-tax)	13,212	12,185
Hong Kong property development profit (post-tax)	11,066	10,235

For the year ended 31 December 2025, profit attributable to shareholders of the Company arising from Hong Kong property development of HK\$11,066 million (2024: HK\$10,235 million) represents Hong Kong property development profit of HK\$13,212 million (2024: HK\$12,185 million) and related income tax expenses of HK\$2,146 million (2024: HK\$1,950 million).

13 Loss from Fair Value Measurement of Investment Properties

Loss from fair value measurement of investment properties comprises:

in HK\$ million	2025	2024
Loss from fair value remeasurement on investment properties	(3,538)	(3,821)
Gain from fair value measurement of investment properties on initial recognition from property development	1,478	2,118
	(2,060)	(1,703)

During the year ended 31 December 2023, investment property with a carrying value of HK\$5.2 billion was initially recognised upon the receipt of a shopping mall from a property development project.

In accordance with the Group's accounting policies, deferred income of HK\$5.0 billion was initially recognised after taking into account HK\$0.2 billion cost incurred/to be incurred by the Group in connection with this property development. The outstanding risks and obligations retained by the Group will be reassessed at the end of each reporting period. Any reduction in the amount of outstanding risks and obligations will be accounted for as a decrease in deferred income and a corresponding "Gain from fair value measurement of investment properties on initial recognition from property development" in profit or loss of that reporting period.

During the year ended 31 December 2025, after reassessing the outstanding risks and obligations retained by the Group at the end of reporting period, the remaining HK\$1.5 billion (2024: HK\$2.1 billion) was recognised as gain from fair value measurement of investment properties on initial recognition from property development in profit or loss. As at 31 December 2025, deferred income of HK\$nil (2024: HK\$1.5 billion) was recognised in the Group's consolidated statement of financial position and included in "Creditors, other payables and provisions" (note 36).

14 Depreciation and Amortisation

Depreciation and amortisation comprise:

in HK\$ million	2025	2024
Depreciation charge relating to:		
– Owned property, plant and equipment	3,713	3,574
– Right-of-use assets	324	357
	4,037	3,931
Amortisation charge:		
– Amortisation charge relating to service concession assets and other intangible assets	2,359	2,213
	6,396	6,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Interest and Finance Charges

in HK\$ million	2025	2024
Interest expenses in respect of:		
– Bank loans, overdrafts and capital market instruments	2,861	2,611
– Obligations under service concession	671	676
– Lease liabilities	44	21
– Others	–	20
Finance charges	106	56
Exchange loss/(gain)	439	(389)
	4,121	2,995
Derivative financial instruments:		
– Fair value hedges	111	(105)
– Cash flow hedges:		
– transferred from hedging reserve to interest expenses	(60)	(127)
– transferred from hedging reserve to offset exchange (loss)/gain	(169)	476
– hedge ineffectiveness	35	–
– transferred from hedging reserve upon discontinuation of cash flow hedge	–	(4)
– Transferred from costs of hedging reserve	132	–
– Derivatives not adopting hedge accounting	1	2
	50	242
Interest expenses capitalised	(1,306)	(964)
	2,865	2,273
Interest income in respect of:		
– Deposits with banks	(1,709)	(1,105)
– Others	(150)	(136)
	(1,859)	(1,241)
	1,006	1,032

During the year ended 31 December 2025, interest expenses capitalised were calculated on a monthly basis at the pre-determined cost of borrowings and/or the relevant group companies' borrowing cost which varied from 3.2% to 3.9% per annum (2024: 3.5% to 3.9% per annum).

During the year ended 31 December 2025, the loss resulting from fair value changes of the underlying financial assets and liabilities being hedged under fair value hedge was HK\$1,830 million (2024: gain of HK\$126 million) while the gain resulting from fair value changes of hedging instruments comprising interest rate and cross currency swaps was HK\$1,719 million (2024: loss of HK\$29 million), thus resulting in a net loss of HK\$111 million (2024: net gain of HK\$97 million).

16 Income Tax in the Consolidated Statement of Profit or Loss

A Income tax in the consolidated statement of profit or loss represents:

in HK\$ million	2025	2024
Current tax		
– Hong Kong Profits Tax	2,016	2,086
– Tax outside Hong Kong	374	389
	2,390	2,475
Deferred tax		
– Origination and reversal of temporary differences on:		
– tax losses	8	7
– depreciation allowances in excess of related depreciation	960	1,018
– provisions and others	(1)	(44)
– right-of-use assets	2	(12)
– lease liabilities	–	14
	969	983
	3,359	3,458

Except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime in Hong Kong, the provision for Hong Kong Profits Tax for the year ended 31 December 2025 is calculated at 16.5% (2024: 16.5%) on the estimated assessable profits for the year after deducting accumulated tax losses brought forward, if any. Under the two-tiered Profits Tax rate regime, the Company's first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated on the same basis in 2024.

Current taxes for subsidiaries outside Hong Kong are charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant Chinese Mainland tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions. During the year ended 31 December 2025, Land Appreciation Tax (before tax effect on deduction of Corporate Income Tax) of HK\$3 million (2024: HK\$nil) was charged to profit or loss.

Provision for deferred tax on temporary differences arising in Hong Kong is calculated at the Hong Kong Profits Tax rate at 16.5% (2024: 16.5%), while that arising outside Hong Kong is calculated at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

B Since 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 and variable annual payments 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 (2024: for the years of tax assessment from 2007/2008 to 2024/2025 amounted to HK\$5.8 billion).

(i) As of 31 December 2025, the Inland Revenue Department of Hong Kong ("IRD") issued notices of profits tax assessments/additional profits tax assessments for the years of assessment from 2009/2010 to 2018/2019 (2024: for the years of assessment from 2009/2010 to 2017/2018) disallowing deduction of the Sums in the computation of the Company's assessable profits. Based on the strength of advice from the external legal counsel and its tax advisor, the Company has lodged objections against these tax assessments (regarding the deductibility of the Sums) and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover of the additional tax demanded subject to the purchases of tax reserve certificates ("TRCs") amounting to HK\$2.8 billion (2024: HK\$2.3 billion). The Company has purchased the required TRCs and the additional tax demanded has been held over by IRD. The purchases of TRCs do not prejudice the Company's tax position and the purchased TRCs were included in "Debtors and other receivables" in the Group's consolidated statement of financial position.

(ii) On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing with the objections lodged by the Company and confirming profits tax assessment/additional profits tax assessments in respect of the Sums in dispute for the years of assessment from 2011/2012 to 2017/2018 (i.e. holding that the Sums are not deductible in the computation of the Company's assessable profits for those years of assessment). The Company re-affirmed the case with the external legal counsel who advised the Company previously and its tax advisor, and obtained further advice from another external legal counsel. Based on the advice from the external legal counsel and its tax advisor, the Directors of the Company believe that the Company has strong legal grounds and have determined to contest and appeal against the assessments for the years of assessment from 2011/2012 to 2017/2018. Accordingly, the Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022.

(iii) After discussing with the external legal counsel and its tax advisor on the approach to the appeal, the Company decided not to pursue its deduction claims in respect of the amortisation of upfront payment and cut-over liabilities during the opening submission before Board of Review. As the Company had already made the related tax provision for the amortisation of upfront payment and cut-over liabilities in the past years taking into account the uncertainty in their tax deductibility, no additional tax provision is required. The hearing of appeal was held before the Board of Review in early 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Income Tax in the Consolidated Statement of Profit or Loss *(continued)*

(iv) On 6 August 2024, the Board of Review has issued its decision (“the Board of Review Decision”) and has disagreed with the deduction claims of the fixed annual payments and variable annual payments for the years of assessment from 2011/2012 to 2017/2018. It confirmed the relevant profits tax assessment/additional profits tax assessments in respect of the fixed annual payments and variable annual payments being non-tax deductible.

(v) The Company, external legal counsel and its tax advisor have completed their review of the Board of Review Decision and the advice obtained continues to be that the Company has strong legal grounds to support its position. Based on the strength of advice from external legal counsel and its tax advisor, 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 of leave to appeal was held before the Court of First Instance in late February 2025.

(vi) 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 continues to have strong legal grounds to support its position. As such, the Company has proceeded with its appeal against the Board of Review Decision and no additional tax provision has been made. The hearing of the appeal before the Court of First Instance is scheduled to be held in early 2027.

As mentioned above, the total tax amount in respect of the Sums for the years of assessment from 2007/2008 to 2025/2026 amounted to HK\$6.5 billion (2024: for the years of assessment from 2007/2008 to 2024/2025 amounted to HK\$5.8 billion). As at 31 December 2025, the related tax provision made for the amortisation of upfront payment and cut-over liabilities amounted to HK\$0.2 billion (2024: HK\$0.2 billion), of which HK\$14 million (2024: HK\$nil) was utilised during the year ended 31 December 2025 for the settlement of the related additional profits tax assessment.

C Reconciliation between tax expense and accounting profit or loss at applicable tax rates:

	2025		2024	
	HK\$ million	%	HK\$ million	%
Profit before taxation	18,917		19,525	
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	3,130	16.5	3,390	17.4
Land Appreciation Tax (net of tax effect on deduction of Corporate Income Tax)	2	–	–	–
Tax effect of non-deductible expenses	985	5.2	809	4.1
Tax effect of non-taxable revenue	(788)	(4.2)	(786)	(4.0)
Tax effect of unused tax losses not recognised	118	0.6	63	0.3
Utilisation of tax losses previously not recognised	(103)	(0.4)	(18)	(0.1)
Current income tax impact arising from Pillar Two model rules (note 16D)	15	0.1	–	–
Actual tax expenses	3,359	17.8	3,458	17.7

D Pillar Two Income Taxes

The Group has key operations in Australia, Sweden, the United Kingdom and Hong Kong, where these jurisdictions have enacted new tax laws to implement the Pillar Two model rules published by the OECD.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and has accounted for the tax as current tax when incurred, if any. During the year ended 31 December 2025, the Group has recognised HK\$15 million (2024: HK\$nil) for the current tax relating to the Pillar Two model rules where new tax laws, for Australia, Sweden and the United Kingdom are effective from 1 January 2024, and for Hong Kong is effective from 1 January 2025.

17 Dividends

Ordinary dividends to shareholders of the Company are as follows:

in HK\$ million	2025	2024
Ordinary dividends attributable to the year		
– Interim ordinary dividend declared and paid of HK\$0.42 (2024: HK\$0.42) per share	2,614	2,614
– Final ordinary dividend proposed after the end of the reporting period of HK\$0.89 (2024: HK\$0.89) per share	5,541	5,541
	8,155	8,155
Ordinary dividends attributable to the previous year		
– Final ordinary dividend of HK\$0.89 (2024: HK\$0.89 per share attributable to year 2023) per share approved and paid during the year	5,541	5,533

The 2025 final ordinary dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Details of ordinary dividends paid to the FSI are disclosed in note 48R.

18 Earnings Per Share

A Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the year ended 31 December 2025 of HK\$14,677 million (2024: HK\$15,772 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme, which is calculated as follows:

	2025	2024
Issued ordinary shares at 1 January	6,224,823,171	6,217,197,282
Effect of scrip dividend issued	–	3,521,244
Less: Shares held for Executive Share Incentive Scheme	(10,406,715)	(8,057,365)
Weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the year	6,214,416,456	6,212,661,161

B Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company for the year ended 31 December 2025 of HK\$14,677 million (2024: HK\$15,772 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme after adjusting for the dilutive effect of the Company's Executive Share Incentive Scheme, which is calculated as follows:

	2025	2024
Weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the year	6,214,416,456	6,212,661,161
Effect of shares awarded under Executive Share Incentive Scheme	10,549,478	8,725,631
Weighted average number of ordinary shares (diluted) during the year	6,224,965,934	6,221,386,792

C Both basic and diluted earnings per share would have been HK\$2.69 (2024: HK\$2.81), if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK\$16,737 million (2024: HK\$17,475 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Other Comprehensive Income/(Loss)

Tax effects relating to each component of other comprehensive income/(loss) of the Group are shown below:

in HK\$ million	2025			2024		
	Before-tax amount	Tax credit/(expense)	Net-of-tax amount	Before-tax amount	Tax credit/(expense)	Net-of-tax amount
Exchange differences on translation of:						
– Financial statements of subsidiaries, associates and joint ventures outside Hong Kong	1,133	–	1,133	(762)	–	(762)
– Non-controlling interests	37	–	37	(40)	–	(40)
	1,170	–	1,170	(802)	–	(802)
Loss on revaluation of self-occupied buildings	(194)	32	(162)	(152)	25	(127)
Remeasurement of net asset of defined benefit schemes	239	(35)	204	170	(26)	144
Net movement in hedging reserve (note 41C)	(1,339)	221	(1,118)	323	(53)	270
Other comprehensive (loss)/income	(124)	218	94	(461)	(54)	(515)

20 Investment Properties and Other Property, Plant and Equipment

A Investment Properties

Movements of the Group's investment properties, all of which being held in Hong Kong and Chinese Mainland and carried at fair value, are as follows:

in HK\$ million	2025	2024
At 1 January	96,322	98,205
Additions*	344	2,053
Disposal of a subsidiary	–	(93)
Fair value remeasurement on investment properties (note 13)	(3,538)	(3,821)
Exchange differences	60	(22)
At 31 December	93,188	96,322

* Additions for the year ended 31 December 2024 included the amount reclassified from prepayment of HK\$1,522 million.

All investment properties of the Group were remeasured at 31 December 2025 and 2024. Details of the fair value measurement are disclosed in note 44. Investment properties in Hong Kong and Chinese Mainland are remeasured semi-annually by independent firms of surveyor, Colliers International (Hong Kong) Limited and Cushman & Wakefield Limited respectively. Future market condition changes may result in further gains or losses to be recognised through the consolidated statement of profit or loss in future periods.

Included in the Group's investment properties as at 31 December 2025 was HK\$1,227 million (2024: HK\$1,349 million) relating to properties in Chinese Mainland.

20 Investment Properties and Other Property, Plant and Equipment (continued)

B Other Property, Plant and Equipment

in HK\$ million	Leasehold land	Self-occupied buildings	Civil works	Plant and equipment	Assets under construction	Total
2025						
Cost or Valuation						
At 1 January 2025	1,765	3,620	62,517	96,533	18,842	183,277
Additions [#]	196	257	4	297	7,252	8,006
Disposals/write-offs	-	(10)	(1)	(1,146)	(10)	(1,167)
Loss on revaluation	-	(336)	-	-	-	(336)
Transfer from/(to) Service Concession Assets (note 21)	-	-	-	(2)	-	(2)
Reclassification within other property, plant and equipment	-	-	18	(18)	-	-
Other assets commissioned	35	-	164	3,277	(3,476)	-
Exchange differences	-	22	-	121	-	143
At 31 December 2025	1,996	3,553	62,702	99,062	22,608	189,921
At Cost	1,996	669	62,702	99,062	22,608	187,037
At 31 December 2025 Valuation	-	2,884	-	-	-	2,884
Accumulated depreciation						
At 1 January 2025	544	329	12,123	63,058	-	76,054
Charge for the year	82	242	585	3,203	-	4,112
- Recognised in profit or loss	35	214	585	3,203	-	4,037
- Recognised in Railway Construction in Progress/Property Development in Progress	47	28	-	-	-	75
Written back on disposals	-	(6)	-	(1,086)	-	(1,092)
Written back on revaluation	-	(142)	-	-	-	(142)
Exchange differences	-	19	-	108	-	127
At 31 December 2025	626	442	12,708	65,283	-	79,059
Net book value at 31 December 2025	1,370	3,111	49,994	33,779	22,608	110,862
2024						
Cost or Valuation						
At 1 January 2024	1,765	3,938	62,502	94,296	14,901	177,402
Additions [#]	-	31	1	313	7,411	7,756
Disposals/write-offs	-	(23)	(1)	(1,376)	(12)	(1,412)
Loss on revaluation	-	(304)	-	-	-	(304)
Transfer to investment properties (note 20A)	-	-	-	-	(7)	(7)
Transfer from/(to) Service Concession Assets (note 21)	-	-	2	(4)	(1)	(3)
Reclassification within other property, plant and equipment	-	-	-	5	(5)	-
Other assets commissioned	-	-	13	3,431	(3,444)	-
Exchange differences	-	(22)	-	(132)	(1)	(155)
At 31 December 2024	1,765	3,620	62,517	96,533	18,842	183,277
At Cost	1,765	400	62,517	96,533	18,842	180,057
At 31 December 2024 Valuation	-	3,220	-	-	-	3,220
Accumulated depreciation						
At 1 January 2024	510	261	11,558	61,352	-	73,681
Charge for the year	34	243	565	3,089	-	3,931
Written back on disposals	-	(7)	-	(1,282)	-	(1,289)
Written back on revaluation	-	(152)	-	-	-	(152)
Exchange differences	-	(16)	-	(101)	-	(117)
At 31 December 2024	544	329	12,123	63,058	-	76,054
Net book value at 31 December 2024	1,221	3,291	50,394	33,475	18,842	107,223

After taking into account the utilisation of government grant (if any).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Investment Properties and Other Property, Plant and Equipment *(continued)*

C Right-of-use Assets

At 31 December 2025 and 2024, the analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

in HK\$ million	Note	2025	2024
Ownership interests in leasehold land held for own use, with remaining lease term of:	(i)		
– less than 50 years		1,221	1,221
Ownership interests in self-occupied buildings held for own use, with remaining lease term of:	(i)		
– less than 50 years		2,884	3,220
Other leasehold land leased for own use, with remaining lease term of:	(ii)		
– less than 10 years		149	–
Other self-occupied buildings leased for own use, with remaining lease term of:	(ii)		
– less than 10 years		227	71
Plant and equipment leased, with remaining lease term of:	(iii)		
– between 10 and 50 years		850	877
– less than 10 years		119	123
		5,450	5,512
Ownership interests in leasehold investment properties, with remaining lease term of:			
– 50 years or more		12	13
– less than 50 years		93,176	96,309
		93,188	96,322
		98,638	101,834

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

in HK\$ million	2025	2024
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land held for own use	35	34
Ownership interests in self-occupied buildings held for own use	142	152
Other self-occupied buildings leased for own use	72	91
Plant and equipment leased	75	80
	324	357
Interest on lease liabilities	34	21
Expense relating to short-term leases	28	27
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	21	12

During the year, additions to right-of-use assets were HK\$831 million (2024: HK\$2,759 million). This amount primarily related to additions of leasehold land and self-occupied buildings leased for own use and investment properties.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 43C and 35D, respectively.

20 Investment Properties and Other Property, Plant and Equipment *(continued)*

C Right-of-use Assets *(continued)*

(i) Ownership Interests in Leasehold Land and Buildings Held for Own Use

The lease of the land on which civil works as well as plant and equipment are situated for Hong Kong transport operations was granted to the Company under a running line lease which is coterminous with the Company's franchise to operate the mass transit railway under the Operating Agreement (notes 48A, 48B and 48C).

Under the terms of the lease, the Company undertakes to keep and maintain all the leased areas, including underground and overhead structures, at its own cost. With respect to parts of the railway situated in structures where access is shared with other users, such as the Lantau Fixed Crossing, the Company's obligation for maintenance is limited to the railway only. All maintenance costs incurred under the terms of the lease have been dealt with as expenses relating to Hong Kong transport operations in the consolidated statement of profit or loss.

All self-occupied buildings of the Group in Hong Kong are carried at fair value. The details of the fair value measurement are disclosed in note 44. The revaluation loss of HK\$194 million (2024: HK\$152 million) and the related deferred tax credit of HK\$32 million (2024: HK\$25 million) has been recognised in other comprehensive income/loss and accumulated in the fixed assets revaluation reserve (note 41C). The carrying amount of the self-occupied buildings at 31 December 2025 would have been HK\$535 million (2024: HK\$561 million) had the buildings been stated at cost less accumulated depreciation.

(ii) Other Leasehold Land and Self-occupied Buildings Leased for Own Use

The Group has obtained the right to use the land and other properties as its offices through tenancy agreements. The leases typically run for an initial period of 3 to 7 years.

(iii) Other Leases

The Group leases plant and equipment under leases expiring from 2 to 20 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

D Properties Leased Out under Operating Leases

The Group leases out investment properties and station kiosks, including duty free shops, under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date, at which time all terms will be renegotiated. Lease payments are adjusted periodically to reflect market rentals. Certain leases carry additional rental based on turnover, some of which are with reference to thresholds. Lease incentives granted are amortised in the consolidated statement of profit or loss as an integral part of the net lease payment receivable.

The gross carrying amount of investment properties of the Group held for use in operating leases were HK\$93,188 million (2024: HK\$96,322 million). The costs of station kiosks of the Group held for use in operating leases were HK\$1,032 million (2024: HK\$983 million) and the related accumulated depreciation charges were HK\$672 million (2024: HK\$637 million).

Total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

in HK\$ million	2025	2024
Within 1 year	6,621	6,854
After 1 year but within 2 years	4,307	4,926
After 2 years but within 3 years	1,439	2,854
After 3 years but within 4 years	578	588
After 4 years but within 5 years	231	281
After 5 years	183	215
	13,359	15,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Investment Properties and Other Property, Plant and Equipment *(continued)*

E In March 2003, the Group entered into a series of structured transactions with unrelated third parties to lease out and lease back certain of its passenger cars ("Lease Transaction") involving a total original cost of HK\$2,562 million and a total net book value of HK\$1,674 million as at 31 March 2003. Under the Lease Transaction, the Group has leased the assets to institutional investors in the United States (the "Investors"), who have prepaid all the rentals in relation to the lease agreement. Simultaneously, the Group has leased the assets back from the Investors based on terms ranging from 21 to 29 years with an obligation to pay rentals in accordance with a pre-determined payment schedule. The Group has an option to purchase the Investors' leasehold interest in the assets at the expiry of the lease term for fixed amounts. Part of the rental prepayments received from the Investors has been invested in debt securities to meet the Group's rental obligations and the amount payable for exercising the purchase option under the Lease Transaction. The Group has an obligation to replace these debt securities with other debt securities in the event those securities do not meet certain credit ratings requirements. In addition, the Group has provided standby letters of credit to the Investors to cover additional amounts payable by the Group in the event the transactions are terminated prior to the expiry of the lease terms.

The Group retains legal title to the assets and there are no restrictions on the Group's ability to utilise these assets in the operation of the railway business.

As a result of the Lease Transaction, an amount of approximately HK\$3,688 million was received in an investment account and was used to purchase debt securities ("Defeasance Securities") to be used to settle the long-term lease payments with an estimated net present value of approximately HK\$3,533 million in March 2003. This resulted in the Group having received in 2003 an amount of HK\$141 million net of costs. As the Group is not able to control the investment account in pursuit of its own objectives and its obligations to pay the lease payments are funded by the proceeds of the above investments, those obligations and investments in the Defeasance Securities were not recognised in March 2003 as liabilities and assets of the Group. The net amount of cash received was accounted for as deferred income by the Group and amortised to the consolidated statement of profit or loss over the lease period until 2008, when credit ratings of some of these Defeasance Securities were downgraded and subsequently replaced by standby letters of credit, the charge on which had fully offset the remaining balance of the deferred income.

During the year ended 31 December 2024, part of the Lease Transaction expired and the related non-defeased obligation were fully settled.

21 Service Concession Assets

Movements and analysis of the Group's service concession assets are as follows:

in HK\$ million	KCRC Rail Merger		Additional concession property (High Speed Rail)	Additional concession property (Shatin to Central Link)	Shenzhen Metro Line 4	Shenzhen Metro Line 13	MTR Nordic	London Elizabeth Line	Total
	Initial concession property	Additional concession property							
2025									
Cost									
At 1 January 2025	15,226	30,003	605	522	7,943	4,150	48	53	58,550
Net additions during the year	-	2,786	210	214	65	826	-	-	4,101
Disposals and transfers	-	(223)	-	(15)	(37)	-	-	-	(275)
Net transfer from other property, plant and equipment (note 20)	-	2	-	-	-	-	-	-	2
Reclassification within service concession assets	-	(2)	-	2	-	-	-	-	-
Exchange differences	-	-	-	-	367	191	-	-	558
At 31 December 2025	15,226	32,566	815	723	8,338	5,167	48	53	62,936
Accumulated amortisation and impairment loss									
At 1 January 2025	5,202	8,559	156	47	4,838	2	48	53	18,905
Amortisation charge for the year	304	1,505	107	35	251	155	-	-	2,357
Written-off on disposals	-	(179)	-	(1)	(30)	-	-	-	(210)
Exchange differences	-	-	-	-	226	4	-	-	230
At 31 December 2025	5,506	9,885	263	81	5,285	161	48	53	21,282
Net book value at 31 December 2025	9,720	22,681	552	642	3,053	5,006	-	-	41,654

21 Service Concession Assets (continued)

in HK\$ million	KCRC Rail Merger				Shenzhen Metro Line 4	Shenzhen Metro Line 13	MTR Nordic	London Elizabeth Line	Total
	Initial concession property	Additional concession property	Additional concession property (High Speed Rail)	Additional concession property (Shatin to Central Link)					
2024									
Cost									
At 1 January 2024	15,226	27,070	484	355	8,224	2,293	69	54	53,775
Net additions during the year	–	3,116	121	156	60	1,933	–	–	5,386
Disposals and transfers	–	(174)	–	(1)	(64)	–	(17)	–	(256)
Net transfer from other property, plant and equipment (note 20)	–	2	–	1	–	–	–	–	3
Reclassification within service concession assets	–	(11)	–	11	–	–	–	–	–
Exchange differences	–	–	–	–	(277)	(76)	(4)	(1)	(358)
At 31 December 2024	15,226	30,003	605	522	7,943	4,150	48	53	58,550
Accumulated amortisation and impairment loss									
At 1 January 2024	4,898	7,142	88	27	4,793	–	63	54	17,065
Amortisation charge for the year	304	1,563	68	20	255	2	–	–	2,212
Written-off on disposals	–	(146)	–	–	(40)	–	(11)	–	(197)
Exchange differences	–	–	–	–	(170)	–	(4)	(1)	(175)
At 31 December 2024	5,202	8,559	156	47	4,838	2	48	53	18,905
Net book value at 31 December 2024	10,024	21,444	449	475	3,105	4,148	–	–	39,645

A Initial concession property relates to the payments recognised at inception of the Rail Merger with KCRC while additional concession property relates to the expenditures for the upgrade of the initial concession property after inception of the Rail Merger. Additional concession property (High Speed Rail) and additional concession property (Shatin to Central Link) relate to the expenditures for the upgrade of the concession property of High Speed Rail and Shatin to Central Link respectively.

B SZL4 forms part of the Shenzhen Metro, which is operated by a wholly owned subsidiary, MTR Corporation (Shenzhen) Limited (“MTRSZ”). 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. Up to 31 December 2025, there has been no increase in SZL4’s fare since MTRSZ started operating the line in 2010 whilst the operating costs continue to rise. As disclosed in previous years, if a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

At 30 June 2022, as it was 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, an impairment test was performed for SZL4 and an impairment provision of HK\$962 million was recognised for the SZL4 service concession assets in the consolidated statement of profit or loss for the six months ended 30 June 2022.

Based on the review performed by the Group as at 31 December 2025 and 31 December 2024, no further impairment loss was recognised as at 31 December 2025 and 2024.

C On 30 October 2020, MTR CREC Metro (Shenzhen) Company Ltd., a subsidiary of the Company, signed the Project Concession Agreement with the Shenzhen Municipal Government for a Build-Operate-Transfer (“BOT”) project in respect of the construction of SZL13 and the operation of SZL13 for a term of 30 years. Accordingly, the fair value of construction services rendered during the year ended 31 December 2025 of HK\$824 million (2024: HK\$1,310 million) was capitalised as service concession assets by reference to the stage of completion at the end of the reporting period.

Total capital cost for the project is estimated at RMB4.9 billion (HK\$5.4 billion). As at 31 December 2025, the Group has incurred cumulative expenditure of RMB3.9 billion (HK\$4.3 billion) and has authorised outstanding commitments totalling RMB1.0 billion (HK\$1.1 billion) in relation to the project which are included in capital commitment (note 49A).

22 Railway Construction Projects under Entrustment by the HKSAR Government

A Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“High Speed Rail” or “HSR”) Project

(a) Entrustment Agreements

The HKSAR Government and the Company entered into the HSR Preliminary Entrustment Agreement in 2008, and the HSR Entrustment Agreement in 2010 (together, the “**Entrustment Agreements**”), in relation to the HSR.

Pursuant to the HSR Preliminary Entrustment Agreement, the HKSAR Government is obligated to pay the Company the Company’s in-house design costs and certain on-costs, preliminary costs and staff costs.

Pursuant to the HSR Entrustment Agreement, the Company is responsible for carrying out or procuring the carrying out of the agreed activities for the planning, design, construction, testing and commissioning of the HSR and the HKSAR Government, as owner of HSR, is responsible for bearing and financing the full amount of the total cost of such activities (the “**Entrustment Cost**”) and for paying to the Company a fee in accordance with an agreed payment schedule (the “**HSR Project Management Fee**”) (subsequent amendments to these arrangements are described below).

The HKSAR Government has the right to claim against the Company if the Company breaches the HSR Entrustment Agreement (including, if the Company breaches the warranties it gave in respect of its project management services) and, under the HSR Entrustment Agreement, to be indemnified by the Company in relation to losses suffered by the HKSAR Government as a result of any negligence of the Company in performing its obligations under the HSR Entrustment Agreement or any breach of the HSR Entrustment Agreement by the Company. Under the HSR Entrustment Agreement, the Company’s total aggregate liability to the HKSAR Government arising out of or in connection with the Entrustment Agreements (other than for death or personal injury) is subject to a cap equal to the total of HSR Project Management Fee and any other fees that the Company receives under the HSR Entrustment Agreement and certain fees received by the Company under the HSR Preliminary Entrustment Agreement (the “**Liability Cap**”). In accordance with general principles of law, such Liability Cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has reserved the right to refer to arbitration the question of the Company’s liability for the Current Cost Overrun (as defined hereunder) (if any) under the HSR Preliminary Entrustment Agreement and the HSR Entrustment Agreement (as more particularly described in note 22A(b)(v) below), up to the date of this annual report, no formal claim has been received from the HKSAR Government. In 2024, the HKSAR Government informed the Company of a number of areas of interest to it arising out of the Company’s performance under the HSR Entrustment Agreements (“**Areas of Interest**”) for which the HKSAR Government was seeking further information and explanations from the Company. Subsequently, in late 2024, the HKSAR Government invited the Company to take part in a series of Senior Executive Meetings as a forum to discuss and endeavour to settle issues between the parties in connection with the HSR project (as was contemplated under a protocol entered into between the parties in December 2021 (the “**Protocol**”). The first such meeting was held on 13 December 2024, at which the HKSAR Government issued a “Position Paper” to the Company for the purpose of commencing discussions in accordance with the Protocol. The Company delivered its response in April 2025 and discussions with the HKSAR Government are ongoing.

(b) HSR Agreement

In 2015, as a result of the HSR programme being extended to the third quarter of 2018 and the Company and the HKSAR Government reaching agreement for revising the estimate project cost to HK\$84.42 billion (the “**Revised Cost Estimate**”), the HKSAR Government and the Company entered into an agreement (the “**HSR Agreement**”) relating to the further funding and completion of the HSR (and which made certain changes to the HSR Entrustment Agreement) which was subsequently approved by the Company’s independent shareholders at an extraordinary general meeting, and the Legislative Council approved the HKSAR Government’s additional funding obligations, during 2016. Pursuant to the HSR Agreement:

- (i) The HKSAR Government will bear and finance the project cost up to HK\$84.42 billion, which includes an increase in the project cost by the amount of HK\$19.42 billion being the “**Current Cost Overrun**”;
- (ii) The Company will, if the project cost exceeds HK\$84.42 billion, bear and finance the portion of the project cost which exceeds that sum (if any) (the “**Further Cost Overrun**”) except for certain agreed excluded costs (namely, additional costs arising from changes in law, force majeure events or any suspension of construction contracts specified in the HSR Agreement);
- (iii) The Company would pay a special dividend in cash of HK\$4.40 in aggregate per share in two tranches in 2016 and 2017;
- (iv) The HSR Project Management Fee increases from HK\$4.59 billion to HK\$6.34 billion. Consequently, the Liability Cap increases from up to HK\$4.94 billion to up to HK\$6.69 billion; and
- (v) The HKSAR Government reserves the right to refer to arbitration the question of the Company’s liability for the Current Cost Overrun (if any) under the Entrustment Agreements (including any question the HKSAR Government may have regarding the validity of the Liability Cap). The Entrustment Agreements contain dispute resolution mechanisms which include the right to refer a dispute to arbitration. If the arbitrator does not determine that the Liability Cap is invalid and determines that, but for the Liability Cap, the Company’s liability under the Entrustment Agreements for the Current Cost Overrun would exceed the Liability Cap, the Company shall:
 - bear such amount as is awarded to the HKSAR Government up to the Liability Cap;
 - seek the approval of its independent shareholders, at another General Meeting (at which the FSI, the HKSAR Government and their Close Associates and Associates and the Exchange Fund will be required to abstain from voting), for the Company to bear the excess liability; and
 - if the approval of the independent shareholders (referred to immediately above) is obtained, pay the excess liability to the HKSAR Government. If such approval is not obtained, the Company will not make such payment to the HKSAR Government.

22 Railway Construction Projects under Entrustment by the HKSAR Government *(continued)*

A Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“High Speed Rail” or “HSR”) Project *(continued)*

- (c) As at 31 December 2025, the Company has not made any provision in its consolidated financial statements in respect of:
- (i) any possible liability of the Company for any Further Cost Overrun (if any), given the Company does not currently believe based on information available to date there is any need to revise further the Revised Cost Estimate;
- (ii) any possible liability of the Company that may be determined in accordance with any arbitration that may take place (as more particularly described in note 22A(b)(v) above), given that (a) the Company has not received any notification from the HKSAR Government of any formal claim by the HKSAR Government against the Company or of any referral by the HKSAR Government to arbitration as of 31 December 2025 and up to the date of this annual report and the eventual outcome of any dialogue between the Company and the HKSAR Government on the Areas of Interest remains highly uncertain at the current stage; (b) the Company has the benefit of the Liability Cap; and (c) as a result of the HSR Agreement, the Company will not make any payment to the HKSAR Government in excess of the Liability Cap pursuant to a determination of the arbitrator without the approval of its independent shareholders; and where applicable, because the Company is not able to measure with sufficient reliability the amount of the Company’s obligation or liability (if any).

B Shatin to Central Link (“SCL”) Project

(a) SCL Agreements

The Company and the HKSAR Government entered into the SCL Preliminary Entrustment Agreement (“**SCL EA1**”) in 2008, the SCL Advance Works Entrustment Agreement (“**SCL EA2**”) in 2011, and the SCL Entrustment Agreement (“**SCL EA3**”) in 2012 (together, the “**SCL Agreements**”), in relation to the SCL.

Pursuant to the SCL EA1, the Company is responsible for carrying out or procuring the carrying out of the design, site investigation and procurement activities while the HKSAR Government is responsible for funding directly the total cost of such activities.

Pursuant to the SCL EA2, the Company is responsible for carrying out or procuring the carrying out of the agreed works while the HKSAR Government is responsible for bearing and paying to the Company all the work costs (“**EA2 Advance Works Costs**”). The EA2 Advance Works Costs and the Interface Works Costs (as described below) are reimbursable by the HKSAR Government to the Company. During the year ended 31 December 2025, HK\$21 million (2024: HK\$53 million) of such costs were incurred by the Company, which are payable by the HKSAR Government. As at 31 December 2025, the amount of such costs which remained outstanding from the HKSAR Government was HK\$130 million (2024: HK\$166 million).

The SCL EA3 was entered into in 2012 for the construction and commissioning of the SCL. The HKSAR Government is responsible for bearing all the work costs specified in the SCL EA3 including costs to contractors and costs to the Company (“**Interface Works Costs**”) (which the Company would pay upfront and recover from the HKSAR Government) except for certain costs of modification, upgrade or expansions of certain assets (including rolling stock, signalling, radio and main control systems) for which the Company is responsible under the existing service concession agreement with KCRC. The Company will contribute an amount in respect of the costs relating to such modifications, upgrades or expansions. This will predominantly be covered by the reduction in future maintenance capital expenditure which the Company would have otherwise incurred. The total sum entrusted to the Company by the HKSAR Government for the main construction works under the SCL EA3, including project management fee, was HK\$70,827 million (“**Original Entrusted Amount**”).

The Company is responsible for carrying out or procuring the carrying out of the works specified in the SCL Agreements for a project management fee of HK\$7,893 million (the “**Original PMC**”) which has been fully received by the Company and recognised in the consolidated statement of profit or loss in previous years.

(b) SCL EA3 Cost Overrun

(i) Cost to Complete

The Company has previously announced that, due to the continuing challenges posed by external factors, including issues such as delays due to the discovery of archaeological relics, the HKSAR Government’s requests for additional scope and late or incomplete handover of construction sites, the Original Entrusted Amount under SCL EA3 would not be sufficient to cover the total estimated cost to complete (“**CTC**”) and would need to be revised upwards significantly. After carrying out detailed reviews of the estimated CTC for the main construction works, on 10 February 2020, the Company submitted a revised estimated total CTC of HK\$82,999 million (“**2020 CTC Estimate**”), including additional project management fee payable to the Company of HK\$1,371 million (“**Additional PMC**”), being the additional cost to the Company of carrying out its remaining project management responsibilities under the SCL EA3, as detailed in note 22B(b)(ii) below but excluding the Hung Hom Incidents Related Costs in respect of which the Company had already recognised a provision of HK\$2 billion in its consolidated statement of profit or loss for the year ended 31 December 2019 (as detailed in note 22B(c)(ii) below). The 2020 CTC Estimate represents an increase of HK\$12,172 million from the Original Entrusted Amount of HK\$70,827 million.

The HKSAR Government obtained the approval from Legislative Council on 12 June 2020 for additional funding required for the SCL Project amounting to HK\$10,801 million (“**Additional Funding**”) so that the SCL can be completed.

22 Railway Construction Projects under Entrustment by the HKSAR Government *(continued)*

B Shatin to Central Link (“SCL”) Project *(continued)*

(ii) Provision for Additional PMC

As detailed in note 22B(b)(i) above and as previously disclosed by the Company, the programme for the delivery of the SCL Project has been significantly impacted by certain key external events. Not only do these matters increase the cost of works, they also increase the cost to the Company of carrying out its project management responsibilities under the relevant SCL entrustment agreement, which is estimated to be around HK\$1,371 million.

The Additional Funding approved by the Legislative Council did not include any Additional PMC for the Company which the Company had previously sought from the HKSAR Government. Therefore, the cost to the Company of continuing to comply with its project management obligations under the SCL EA3 (which the Company has continued and will continue to comply with) is currently being met by the Company on an interim and without prejudice basis (to allow the SCL Project to progress in accordance with the latest programme) and the Company reserves its position as to the ultimate liability for such costs and as to its right to pursue the courses of action and remedies available under the SCL EA3.

After taking into account the matters described above, and in particular, the Company meeting, on an interim and without prejudice basis (on the basis outlined above), the cost to the Company of continuing to comply with its project management obligations, the Group recognised a provision of HK\$1,371 million in its consolidated statement of profit or loss for the year ended 31 December 2020 for the estimated additional cost to the Company of continuing to comply with its project management responsibilities. During the year ended 31 December 2025, the provision utilised amounted to HK\$59 million (2024: HK\$111 million) and no provision was written back (2024: HK\$nil). As at 31 December 2025, the provision of HK\$137 million (2024: HK\$196 million), net of amount utilised, is included in “Creditors, other payables and provisions” in the consolidated statement of financial position.

This amount does not take into account any potential payment to the Company of any Additional PMC (whether as a result of an award, settlement or otherwise). Accordingly, if any such potential payment becomes virtually certain, the amount of any such payment will be recognised and credited to the Company’s consolidated statement of profit or loss in that financial period.

(c) Hung Hom Incidents

As stated in the Company’s announcement dated 18 July 2019, there were allegations in 2018 concerning workmanship in relation to the Hung Hom Station extension (“**First Hung Hom Incident**”). The Company took immediate steps to investigate the issues, report the Company’s findings to the HKSAR Government and reserve the Company’s position against relevant contractors.

In late 2018 and early 2019, the Company advised the HKSAR Government of an insufficiency of construction records and certain construction issues at the Hung Hom North Approach Tunnel (“**NAT**”), the South Approach Tunnel (“**SAT**”) and the Hung Hom Stabling Sidings (“**HHS**”), forming an addition to the First Hung Hom Incident (“**Second Hung Hom Incident**”).

(i) Commission of Inquiry (“**COI**”)

On 10 July 2018, the COI was set up by the HKSAR Chief Executive in Council pursuant to the Commissions of Inquiry Ordinance (Chapter 86 of the Laws of Hong Kong). On 29 January 2019, the HKSAR Government made its closing submission to the first phase of the COI in which it stated its view that the Company ought to have provided the required skills and care reasonably expected of a professional and competent project manager but that the Company had failed to do so.

On 26 March 2019, the HKSAR Government published the redacted interim report of the COI in which the COI found that although the Hung Hom Station extension diaphragm wall and platform slab construction works are safe, they were not executed in accordance with the relevant contract in material aspects.

On 18 July 2019, the Company submitted to the HKSAR Government two separate final reports, one in respect of the First Hung Hom Incident and one in respect of the Second Hung Hom Incident, containing, inter alia, proposals for suitable measures required at certain locations to achieve code compliance. These suitable measures have been implemented.

On 22 January 2020, the HKSAR Government reiterated, in its closing submissions to the COI, that there was failure on the part of both the Company and the contractor Leighton Contractors Asia Limited to perform the obligations which the two parties undertook for the SCL project and that the Company, which was entrusted by the HKSAR Government as the project manager of the SCL project, ought to have provided the requisite degree of skill and care reasonably expected of a professional and competent project manager.

On 12 May 2020, the HKSAR Government published the final report of the COI in which the COI determined that it is fully satisfied that, with the suitable measures in place, the station box, NAT, SAT and HHS structures will be safe and also fit for purpose. The suitable measures for these structures were completed in 2020. The COI also made a number of comments on the construction process (including regarding failures in respect thereof such as unacceptable incidents of poor workmanship compounded by lax supervision and that in a number of respects also, management of the construction endeavour fell below the standards of reasonable competence) and made recommendations to the Company for the future.

22 Railway Construction Projects under Entrustment by the HKSAR Government *(continued)*

B Shatin to Central Link (“SCL”) Project *(continued)*

(ii) Provision for the Hung Hom Incidents Related Costs

In order to progress the SCL Project and to facilitate the phased opening of the Tuen Ma Line in the first quarter of 2020, the Company announced in July 2019 that it would fund, on an interim and without prejudice basis, certain costs arising from the Hung Hom Incidents and certain costs associated with phased opening (being costs for alteration works, trial operations and other costs associated with the preparation activities for the phased opening) (“**Hung Hom Incidents Related Costs**”), whilst reserving the Company’s position as to the ultimate liability for such costs.

The Company and the HKSAR Government will continue discussions with a view to reaching an overall settlement in relation to the Hung Hom Incidents and their respective funding obligations relating to the CTC and the Hung Hom Incidents Related Costs. If no overall settlement is reached between the Company and the HKSAR Government within a reasonable period, the provisions of the SCL EA3 shall continue to apply (as they currently do) including in relation to such costs, and the responsibility for the funding of such costs shall be determined in accordance with the SCL EA3.

After taking into account the matters described in note 22B(c) above, and in particular, the Company’s decision to fund, on an interim and without prejudice basis, the Hung Hom Incidents Related Costs, the Company recognised a provision of HK\$2,000 million in its consolidated statement of profit or loss for the year ended 31 December 2019. During the year ended 31 December 2025, the provision utilised amounted to HK\$10 million (2024: HK\$31 million) and no provision was written back (2024: HK\$nil). As at 31 December 2025, the provision of HK\$721 million (2024: HK\$731 million), net of amount utilised, is included in “Creditors, other payables and provisions” in the consolidated statement of financial position.

This amount does not take into account any potential recovery from any other party (whether in the circumstances that no overall settlement is reached and/or as a result of an award, settlement or otherwise). Accordingly, if any such potential recovery becomes virtually certain, the amount of any such recovery will be recognised and credited to the Company’s consolidated statement of profit or loss in that financial period.

(d) Potential Claims from and Indemnification to the HKSAR Government

The HKSAR Government has the right to claim against the Company if the Company breaches the SCL Agreements (including, if the Company breaches the warranties it gave in respect of its project management services) and, under each SCL Agreement, to be indemnified by the Company in relation to losses incurred by the HKSAR Government as a result of the negligence of the Company in performing its obligations under the relevant SCL Agreement or breach thereof by the Company. Under the SCL EA3, the Company’s total aggregate liability to the HKSAR Government arising out of or in connection with the SCL Agreements (other than for death or personal injury) is subject to a cap equal to the fees that the Company receives under the SCL Agreements. In accordance with general principles of law, such cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has stated that it reserves all rights to pursue further actions against the Company and related contractors and has made the statements in its closing submission to the COI (as stated in note 22B(c)(i) above), up to the date of this annual report, no claim has been received from the HKSAR Government in relation to any SCL Agreement. It is uncertain as to whether such claim will be made against the Company in the future and, if made, the nature and amount of such claim.

The eventual outcome of the discussions between the Company and the HKSAR Government on various matters remain highly uncertain at the current stage. As a result, no additional provision other than as stated above has been made as the Company is currently not able to measure with sufficient reliability the ultimate amount of the Company’s obligation or liability arising from the SCL Project as a whole in light of the significant uncertainties involved. While no provision in respect of the SCL Project related matters was recognised at 31 December 2025 other than as stated above, the Company will reassess on an ongoing basis the need to recognise any further provision in the future in light of any further development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Railway Construction in Progress

Movements of railway construction in progress of the Group are as follows:

in HK\$ million	Balance at 1 January	Additions [^]	Balance at 31 December
2025			
Oyster Bay Station			
Construction costs and consultancy fees	404	459	863
Staff costs and other expenses	152	95	247
Finance costs	27	26	53
Utilisation of government grant	(583)	(580)	(1,163)
	-	-	-
Tung Chung Line Extension			
Construction costs and consultancy fees	4,058	2,726	6,784
Staff costs and other expenses	1,040	384	1,424
Finance costs	145	220	365
Utilisation of government grant	-	(337)	(337)
	5,243	2,993	8,236
Tuen Mun South Extension			
Construction costs and consultancy fees	2,025	2,085	4,110
Staff costs and other expenses	607	313	920
Finance costs	60	119	179
Utilisation of government grant	-	(1,757)	(1,757)
	2,692	760	3,452
Kwu Tung Station*			
Construction costs and consultancy fees	1,855	1,720	3,575
Staff costs and other expenses	937	286	1,223
Finance costs	87	124	211
	2,879	2,130	5,009
Hung Shui Kiu Station			
Construction costs and consultancy fees	295	450	745
Staff costs and other expenses	262	145	407
Finance costs	4	26	30
	561	621	1,182
Total	11,375	6,504	17,879

23 Railway Construction in Progress (continued)

in HK\$ million	Balance at 1 January	Additions [^]	Balance at 31 December
2024			
Oyster Bay Station			
Construction costs and consultancy fees	170	234	404
Staff costs and other expenses	89	63	152
Finance costs	9	18	27
Utilisation of government grant	(268)	(315)	(583)
	-	-	-
Tung Chung Line Extension			
Construction costs and consultancy fees	1,365	2,693	4,058
Staff costs and other expenses	507	533	1,040
Finance costs	39	106	145
	1,911	3,332	5,243
Tuen Mun South Extension			
Construction costs and consultancy fees	397	1,628	2,025
Staff costs and other expenses	422	185	607
Finance costs	7	53	60
	826	1,866	2,692
Kwu Tung Station*			
Construction costs and consultancy fees	921	934	1,855
Staff costs and other expenses	589	348	937
Finance costs	9	78	87
	1,519	1,360	2,879
Hung Shui Kiu Station			
Construction costs and consultancy fees	-	295	295
Staff costs and other expenses	-	262	262
Finance costs	-	4	4
	-	561	561
Total	4,256	7,119	11,375

[^] The additions represent capital expenditure incurred and transferred from deferred expenditure.

* According to the project agreement of Kwu Tung Station signed on 5 September 2023 with the HKSAR Government, the Kwu Tung Station project works include, inter alia, (i) the construction of the Kwu Tung Station, and (ii) the detailed planning and design, and the advance works of the Northern Link (main line).

The Oyster Bay Station project is targeted to complete in 2030. Total capital cost for the Oyster Bay Station project based on the defined scope of works and programme is estimated at HK\$6.7 billion (excluding finance costs). As at 31 December 2025, the Company has incurred cumulative expenditure of HK\$1,110 million (2024: HK\$556 million) (excluding finance costs), which was wholly offset by the government grant, and has authorised outstanding commitments totalling HK\$5.6 billion in relation to the Oyster Bay Station project which are included in "Capital commitments" (note 49A).

The Tung Chung Line Extension project is targeted to complete in 2029. Total capital cost for Tung Chung Line Extension project based on the defined scope of works and programme is estimated at HK\$24.2 billion (excluding finance costs). As at 31 December 2025, the Company has incurred cumulative expenditure of HK\$8,208 million (2024: HK\$5,098 million) (excluding finance costs), which was partially offset by the government grant of HK\$337 million and has authorised outstanding commitments totalling HK\$16.0 billion in relation to the Tung Chung Line Extension project which are included in "Capital commitments" (note 49A).

The Tuen Mun South Extension project is targeted to complete in 2030. Total capital cost for Tuen Mun South Extension project based on the defined scope of works and programme is estimated at HK\$18.2 billion (excluding finance costs). As at 31 December 2025, the Company has incurred cumulative expenditure of HK\$5,030 million (2024: HK\$2,632 million) (excluding finance costs), which was partially offset by the government grant of HK\$1,757 million and has authorised outstanding commitments totalling HK\$13.2 billion in relation to the Tuen Mun South Extension project which are included in "Capital commitments" (note 49A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Railway Construction in Progress *(continued)*

The Kwu Tung Station and advance works of the Northern Link (main line), and detailed planning and design of the Northern Link (main line) are targeted to complete in 2027 and 2034 respectively. Total capital cost for Kwu Tung Station project based on the defined scope of works and programme (including the detailed planning and design, and the advance works of the Northern Link (main line)) is estimated at HK\$10.8 billion (excluding finance costs). As at 31 December 2025, the Company has incurred cumulative expenditure of HK\$4,798 million (2024: HK\$2,792 million) (excluding finance costs) and has authorised outstanding commitments totalling HK\$6.0 billion in relation to the Kwu Tung Station project which are included in "Capital commitments" (note 49A).

The Hung Shui Kiu Station project is targeted to complete in 2030. Total capital cost for Hung Shui Kiu Station project based on the defined scope of works and programme is estimated at HK\$8.3 billion (excluding finance costs). As at 31 December 2025, the Company has incurred cumulative expenditure of HK\$1,152 million (2024: HK\$557 million) (excluding finance costs) and has authorised outstanding commitments totalling HK\$7.1 billion in relation to the Hung Shui Kiu Station project which are included in "Capital commitments" (note 49A).

24 Property Development in Progress

A Property Development in Progress

Pursuant to the project agreements in respect of the construction of railway extensions and the Property Package Agreements in respect of the Rail Merger, the HKSAR Government has granted the Company with development rights on the land over the stations along railway lines.

Movements of property development in progress of the Group are as follows:

in HK\$ million	Balance at 1 January	Net additions*	Transfer out to profit or loss	Balance at 31 December
2025				
Hong Kong Property Development Projects	42,300	1,651	(897)	43,054
2024				
Hong Kong Property Development Projects	41,728	572	–	42,300

* The net additions represent expenditure incurred for Hong Kong property development projects, including the amount of land premium, capital expenditure and development costs transferred from deferred expenditure, and be offset by payments or distributions of the assets received from developers and utilisation of government grant (if any).

The remaining lease terms of leasehold land in Hong Kong included under property development in progress are between 10 and 50 years.

B Stakeholding Funds

Being the stakeholder under certain Airport Railway, Tseung Kwan O Extension, South Island Line, Kwun Tong Line and East Rail Line/Light Rail Property Projects, the Company receives and manages deposit monies and sales proceeds in respect of sales of properties under those developments. These monies are placed in separate designated bank accounts and, together with any interest earned, are to be released to the developers for the reimbursement of costs of the respective developments in accordance with the terms and conditions of the HKSAR Government Consent Schemes and development agreements. Any balance remaining is to be released for distribution only after all obligations relating to the developments have been met. Accordingly, the balances of the stakeholding funds have not been included in the consolidated statement of financial position. As at 31 December 2025, the balance of the stakeholding funds was HK\$20,371 million (2024: HK\$20,802 million).

C West Rail Property Development

As part of the Rail Merger, the Company was appointed to act as the agent of KCRC and certain KCRC subsidiary companies ("West Rail Subsidiaries") in the development of specified development sites along the West Rail. The Company can receive an agency fee of 0.75% of the gross sale proceeds in respect of the developments except for the Tuen Mun development on which the Company can receive 10% of the net profits accrued under the development agreement. The Company can also recover from the West Rail Subsidiaries all the costs incurred in respect of the West Rail development sites plus 16.5% on-cost, together with interest accrued thereon. During the year ended 31 December 2025, HK\$15 million (2024: HK\$60 million) of agency fee and other income in respect of West Rail property development was recognised (note 12). During the year ended 31 December 2025, the reimbursable costs incurred by the Company including on-cost and interest accrued were HK\$19 million (2024: HK\$42 million).

25 Deferred Expenditure

As at 31 December 2025, deferred expenditure included costs of HK\$138 million (2024: HK\$64 million) mainly incurred for certain railway projects which the project agreements are yet to be reached with the HKSAR Government or the Group is yet to be obligated to operate the related railway. The future development of the respective projects is expected to bring future economic benefits to the Group. In the event that in a future period it is no longer considered probable that the corresponding project agreements can be reached, and the costs concerned are no longer considered as recoverable, the costs concerned will be charged to the consolidated statement of profit or loss in that reporting period.

26 Investments in Subsidiaries

The following list contains the particulars of principal subsidiaries of the Company as at 31 December 2025:

Name of company	Issued share capital/ contributed registered capital	Proportion of ownership interest			Place of incorporation/ establishment and operation	Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary(ies)		
LOUDER HK Company Limited	HK\$100	100%	–	100%	Hong Kong	Retail
MTR Academy (HK) Company Limited	HK\$10,000	100%	–	100%	Hong Kong	Administering the operation of MTR Academy
MTR Lab Company Limited	HK\$100	100%	100%	–	Hong Kong	Holding of investments
MTR Telecommunication Company Limited	HK\$100,000,000	100%	100%	–	Hong Kong	Mobile telecommunication services
Ngong Ping 360 Limited	HK\$2	100%	100%	–	Hong Kong	Operating the Tung Chung to Ngong Ping cable car system and village in Ngong Ping
Pierhead Garden Management Company Limited	HK\$50,000	100%	100%	–	Hong Kong	Property investment and management
TraxComm Limited	HK\$15,000,000	100%	100%	–	Hong Kong	Fixed telecommunication network and related services
V-Connect Limited	HK\$1,000	100%	100%	–	Hong Kong	Mobile telecommunication services
Metro Trains Melbourne Pty. Ltd.*	AUD39,999,900	60% on ordinary shares;	–	100% on ordinary shares;	Australia	Railway operations and maintenance
	AUD100	30% on Class A shares	–	100% on Class A shares		
Metro Trains Sydney Pty Ltd*	AUD100	60%	–	60%	Australia	Railway operations and maintenance
MTR Corporation (Sydney) SMCSW Pty Limited	AUD1	100%	–	100%	Australia	Design, delivery and integration of railway related systems
MTR Corporation (C.I.) Limited	US\$1,000	100%	100%	–	Cayman Islands/ Hong Kong	Financing
MTR Nordic AB*	SEK40,050,000	100%	–	100%	Sweden	Holding of investments
MTR Corporation (Shenzhen) Limited ^{^@}	HK\$2,636,000,000	100%	–	100%	The People's Republic of China	Railway construction, operations and management
MTR CREC Metro (Shenzhen) Company Limited ^{#@}	RMB1,720,000,000	83%	–	83%	The People's Republic of China	Railway construction, operations and management
MTR Property Development (Shenzhen) Company Limited ^{#@}	HK\$1,304,969,189	100%	–	100%	The People's Republic of China	Property development, operation, leasing, management and consultancy services
MTR Commercial Centre Management (Tianjin) Company Limited ^{^@}	RMB1,441,000,000	100%	–	100%	The People's Republic of China	Property investment, leasing and management

* Subsidiaries not audited by KPMG

[^] Wholly foreign owned enterprise registered under the People's Republic of China (PRC) Law

[#] Sino-foreign equity joint venture registered under PRC Law

[@] English translation for identification purpose only

The Directors of the Company are of the opinion that a complete list of all subsidiaries and their particulars will be of excessive length and therefore the above table contains only those subsidiaries which, in the opinion of the Directors, materially contribute to the Group's results, assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Interests in Associates and Joint Ventures

The following list contains the particulars of material associates and joint venture as at 31 December 2025, all of which are unlisted corporate entities whose quoted market price is not available:

Name of company	Proportion of ownership interest			Place of incorporation/ establishment and operation	Principal activities
	Group's effective interest	Held by the Company	Held by subsidiary		
<u>Associates</u>					
Octopus Holdings Limited ("OHL")	64.02%	64.02%	–	Hong Kong	Holding company of a group of companies which engage in the operation of a contactless smartcard common payment system in Hong Kong and consultancy services
Beijing MTR Corporation Limited ^{~@}	49%	–	49%	The People's Republic of China	Metro investment, construction, operations and passenger services
Beijing MTR L16 Corporation Limited ^{α@}	49%	–	49%	The People's Republic of China	Metro investment, construction, operations and passenger services
Hangzhou MTR Corporation Limited ("HZMTR") ^{*~@}	49%	–	49%	The People's Republic of China	Railway operations and management
NRT CSW Pty Ltd*	27.55%	–	27.55%	Australia	Financing, railway construction, operations and maintenance through a unit trust
<u>Joint Venture</u>					
Hangzhou MTR Line 5 Corporation Limited ^{~@}	60%	–	60%	The People's Republic of China	Railway electrical and mechanical construction, operations and management

* Companies not audited by KPMG

~ Sino-foreign co-operative joint venture registered under PRC Law

α Limited liability company (wholly owned by a legal person) under PRC Law

@ English translation for identification purpose only

All the associates and joint ventures are accounted for using the equity method in the consolidated financial statements and considered to be not individually material.

The summary financial information of the Group's effective interests in associates and joint ventures is as follows:

in HK\$ million	2025	2024
Income	8,945	9,332
Expenses and others	(7,761)	(7,595)
Profit before taxation	1,184	1,737
Income tax	(397)	(397)
Net profit	787	1,340
Other comprehensive income/(loss)	568	(411)
Total comprehensive income	1,355	929
Assets	33,454	32,609
Liabilities	(20,161)	(19,891)
Net assets	13,293	12,718
Group's share of net assets of the associates and joint ventures	13,293	12,718
Goodwill	321	321
Carrying amount in the consolidated statement of financial position	13,614	13,039

27 Interests in Associates and Joint Ventures *(continued)*

HZMTR, a 49% owned associate of the Group, operates Hangzhou Metro Line 1 (“HZL1”), the HZL1 Xiasha Extension and HZL1 Airport Extension. As previously mentioned, HZMTR has been loss making in recent years due to slow patronage growth and the pandemic. As there is no patronage protection mechanism under this concession agreement, the line’s long-term financial viability will be impacted if patronage remains at a lower level over a further period of time, especially when compounded by the lower average fare resulting from the expanded network. As it is anticipated that the patronage will remain at a lower level for a period of time, an impairment test was performed for the related railway assets of HZMTR as of 31 December 2025. As a result, a share of impairment loss provision of HK\$380 million has been included in “share of profit of associates and joint ventures” in the consolidated statement of profit or loss for the year ended 31 December 2025.

28 Investments in Securities

in HK\$ million	2025	2024
Measured at fair value		
– Unlisted equity securities held by subsidiaries	974	640
– Listed debt securities held by an overseas insurance underwriting subsidiary	231	312
– Bank medium-term notes	–	1,000
	1,205	1,952
Measured at amortised cost		
– Bank medium-term notes	6,071	–
	7,276	1,952

As at 31 December 2025, all debt securities were expected to mature within one year except for HK\$97 million (2024: HK\$166 million) which were expected to mature after one year. During the year ended 31 December 2025, net fair value gain on investments in securities of HK\$19 million (2024: loss of HK\$50 million) was recognised.

29 Properties Held for Sale

in HK\$ million	2025	2024
Properties held for sale		
– at cost	2,074	924
– at net realisable value	788	1,498
	2,862	2,422
Representing:		
Hong Kong property development	2,856	2,410
Chinese Mainland property development	6	12
	2,862	2,422

Properties held for sale represent the Group’s interest in unsold properties or properties received by the Group as sharing-in-kind in Hong Kong, and the Group’s unsold properties in Chinese Mainland.

For Hong Kong property development, the net realisable values as at 31 December 2025 and 2024 were determined by reference to an open market valuation of the properties as at those dates, undertaken by an independent firm of surveyors, Colliers International (Hong Kong) Limited, who have among their staff Members of the Hong Kong Institute of Surveyors.

Properties held for sale at net realisable value of the Group are stated net of provision of HK\$99 million (2024: HK\$139 million) made in order to state these properties at the lower of their cost and estimated net realisable value. The remaining lease terms of leasehold land in Hong Kong included under properties held for sale are between 10 and 50 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Derivative Financial Assets and Liabilities

A Fair Value

The contracted notional amounts, fair values and maturities based on contractual undiscounted cash flows of derivative financial instruments outstanding are as follows:

in HK\$ million	Notional amount	Fair value	Contractual undiscounted cash flows maturing in				Total
			Less than 1 year	1-2 years	2-5 years	Over 5 years	
2025							
Derivative Financial Assets							
Gross settled:							
Foreign exchange forwards							
– cash flow hedges:	1,183	53					
– inflow			1,073	38	127	–	1,238
– outflow			(1,021)	(38)	(125)	–	(1,184)
– not adopting hedge accounting:	539	20					
– inflow			336	153	70	–	559
– outflow			(321)	(149)	(69)	–	(539)
Cross currency swaps							
– fair value hedges:	10,319	599					
– inflow			1,490	798	2,502	6,232	11,022
– outflow			(1,437)	(736)	(2,294)	(5,889)	(10,356)
– cash flow hedges:	8,845	127					
– inflow			297	298	4,540	4,306	9,441
– outflow			(262)	(263)	(4,610)	(4,168)	(9,303)
Net settled:							
Interest rate swaps							
– fair value hedges	27,576	869	311	249	280	74	914
– not adopting hedge accounting	300	23	6	5	13	–	24
	48,762	1,691	472	355	434	555	1,816
Derivative Financial Liabilities							
Gross settled:							
Foreign exchange forwards							
– cash flow hedges:	137	(8)					
– inflow			75	53	1	–	129
– outflow			(83)	(54)	(1)	–	(138)
– not adopting hedge accounting:	449	(22)					
– inflow			216	129	82	–	427
– outflow			(232)	(135)	(83)	–	(450)
Cross currency swaps							
– fair value hedges:	1,481	(82)					
– inflow			1,630	14	1,468	–	3,112
– outflow			(1,602)	(20)	(1,541)	–	(3,163)
– cash flow hedges:	36,207	(1,488)					
– inflow			6,723	2,067	15,197	23,651	47,638
– outflow			(6,661)	(2,094)	(15,783)	(24,943)	(49,481)
Net settled:							
Interest rate swaps							
– fair value hedges	600	(24)	(6)	(5)	(14)	–	(25)
– cash flow hedges	19,801	(760)	(151)	(188)	(372)	(107)	(818)
– not adopting hedge accounting	300	(17)	(4)	(3)	(11)	–	(18)
	58,975	(2,401)	(95)	(236)	(1,057)	(1,399)	(2,787)
Total	107,737						

30 Derivative Financial Assets and Liabilities (continued)

A Fair Value (continued)

in HK\$ million	Notional amount	Fair value	Contractual undiscounted cash flows maturing in				Total
			Less than 1 year	1-2 years	2-5 years	Over 5 years	
2024							
Derivative Financial Assets							
Gross settled:							
Foreign exchange forwards							
– cash flow hedges:	88	2					
– inflow			–	89	–	–	89
– outflow			–	(88)	–	–	(88)
– not adopting hedge accounting:	31	1					
– inflow			4	27	–	–	31
– outflow			(4)	(27)	–	–	(31)
Cross currency swaps							
– fair value hedges:	7,990	79					
– inflow			2,770	1,381	2,251	2,939	9,341
– outflow			(2,845)	(1,381)	(2,154)	(2,871)	(9,251)
– cash flow hedges:	1,418	13					
– inflow			9	11	32	2,678	2,730
– outflow			(12)	(12)	(37)	(2,655)	(2,716)
Net settled:							
Interest rate swaps							
– fair value hedges	15,648	85	152	131	114	61	458
– cash flow hedges	12,855	125	55	12	(3)	94	158
– not adopting hedge accounting	299	37	9	8	23	5	45
	38,329	342	138	151	226	251	766
Derivative Financial Liabilities							
Gross settled:							
Foreign exchange forwards							
– cash flow hedges:	2,032	(129)					
– inflow			936	909	59	–	1,904
– outflow			(1,008)	(968)	(63)	–	(2,039)
– not adopting hedge accounting:	869	(54)					
– inflow			565	210	33	–	808
– outflow			(597)	(231)	(35)	–	(863)
Cross currency swaps							
– fair value hedges:	8,903	(383)					
– inflow			2,915	1,715	998	4,443	10,071
– outflow			(3,067)	(1,739)	(1,136)	(4,392)	(10,334)
– cash flow hedges:	24,459	(1,317)					
– inflow			501	6,043	5,252	16,801	28,597
– outflow			(535)	(6,164)	(6,086)	(17,286)	(30,071)
Net settled:							
Interest rate swaps							
– fair value hedges	6,271	(73)	(18)	(12)	21	(5)	(14)
– cash flow hedges	6,646	(27)	12	(9)	(26)	(3)	(26)
– not adopting hedge accounting	300	(31)	(8)	(7)	(17)	(2)	(34)
	49,480	(2,014)	(304)	(253)	(1,000)	(444)	(2,001)
Total		87,809					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Derivative Financial Assets and Liabilities *(continued)*

A Fair Value *(continued)*

The Group's derivative financial instruments consist predominantly of interest rate and cross currency swaps entered into exclusively by the Company, and the relevant interest rate swap curves as of 31 December 2025 and 2024 were used to discount the cash flows of financial instruments. Interest rates used ranged from 2.35% to 3.33% (2024: 3.35% to 4.58%) for Hong Kong dollars, 3.60% to 4.34% (2024: 4.33% to 4.63%) for United States dollars, 3.55% to 4.62% (2024: 3.67% to 4.44%) for Australian dollars, 0.84% to 1.37% (2024: 0.46% to 0.82%) for Japanese yen and 1.88% to 2.03% (2024: 3.10% to 4.60%) for Renminbi.

The table above details the remaining contractual maturities at the end of the reporting period of the Group's derivative financial assets and liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay. The details of the fair value measurement are disclosed in note 44.

B Financial Risks

The Group's operating activities and financing activities expose it to four main types of financial risks, namely liquidity risk, interest rate risk, foreign exchange risk and credit risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of these financial risks on the Group's financial performance.

The Board of Directors provides principles for overall risk management and approves policies covering specific areas, such as liquidity risk, interest rate risk, foreign exchange risk, credit risk, concentration risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group's Preferred Financing Model (the "Model") for the Company is an integral part of its risk management policies. The Model specifies, amongst other things, the preferred mix of fixed and floating rate debts, the permitted level of foreign currency debts and an adequate length of financing horizon for coverage of forward funding requirements, against which the Company's financing related liquidity, interest rate and currency risk exposures are measured, monitored and controlled. The Board regularly reviews its risk management policies and authorises changes if necessary based on operating and market conditions and other relevant factors. The Board also reviews on an annual basis as part of the budgeting process and authorises changes if necessary to the Model in accordance with changes in market conditions and practical requirements.

The use of derivative financial instruments to control and hedge against interest rate and foreign exchange risk exposures is an integral part of the Group's risk management strategy. These instruments shall only be used for controlling or hedging risk exposures, and cannot be used for speculation purposes. All of the derivative instruments used by the Company are over-the-counter derivatives comprising principally interest rate swaps, cross currency swaps and foreign exchange forward contracts.

(i) Liquidity Risk

Liquidity risk refers to the risk that funds are not available to meet liabilities as they fall due, and it may result from timing and amount mismatches of cash inflow and outflow.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required, including working capital, debt repayments, dividend payments, capital expenditures and new investments, and by maintaining sufficient cash balance and/or undrawn committed banking facilities to ensure these requirements are met. It adopts a prudent approach and will maintain sufficient cash balance and committed banking facilities to provide forward coverage of a target of 9 months (but not less than 6 months) of projected cash requirements at the parent company level as specified in the Model. The Company also conducts stress testing of its projected cash flow to analyse liquidity risk, and would arrange additional banking facilities or debt issuance or otherwise take appropriate actions if such stress tests reveal significant risk of material cash flow shortfall.

As at 31 December 2025, the Group had undrawn committed banking facility of HK\$51,118 million (2024: HK\$20,915 million).

The following table details the remaining contractual maturities at the end of the reporting period of the Group's loans and other obligations other than lease liabilities (as detailed in note 35D below), which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

in HK\$ million	2025			2024		
	Capital market instruments	Bank loans	Total	Capital market instruments	Bank loans	Total
Loans and other obligations						
Amounts repayable beyond 5 years	62,114	2,825	64,939	40,419	1,746	42,165
Amounts repayable within a period of between 2 and 5 years	25,219	882	26,101	15,159	832	15,991
Amounts repayable within a period of between 1 and 2 years	10,277	543	10,820	15,411	256	15,667
Amounts repayable within 1 year	16,689	373	17,062	16,696	4,076	20,772
	114,299	4,623	118,922	87,685	6,910	94,595

30 Derivative Financial Assets and Liabilities *(continued)*

B Financial Risks *(continued)*

The Group's exposure to liquidity risks in respect of "Derivative financial liabilities" (note 30A), "Lease liabilities" (note 35D), "Creditors, other payables and provisions" (note 36), "Amounts due to related parties" (note 37), "Obligations under service concession" (note 38), and "Loans from holders of non-controlling interests" (note 39) are disclosed in the respective notes.

(ii) Interest Rate Risk

The Group's interest rate risk arises principally from its borrowing activities at the parent company level (including its financing vehicles). Borrowings based on fixed and floating rates expose the Group to fair value and cash flow interest rate risks respectively due to fluctuations in market interest rates. The Group manages and controls its interest rate risk exposure at the parent company level by maintaining a level of fixed rate debt between 45% and 80% (2024: 45% and 80%) of total debt outstanding as specified by the Model. Should the actual fixed rate debt level deviate substantially from the Model, derivative financial instruments such as interest rate swaps would be procured to align the fixed and floating mix with the Model. As at 31 December 2025, 81% (2024: 72%) of the Company's (including financing vehicles) total debt outstanding was denominated either in or converted to fixed interest rate after taking into account outstanding cross currency and interest rate swaps. Interest rate risk at subsidiary, associate and joint venture companies are managed separately based on their own borrowing requirement, circumstances and market practice.

As at 31 December 2025, it is estimated that a 100 basis points increase/100 basis points decrease in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and increase/decrease the Group's retained profits by approximately HK\$278 million/HK\$242 million (2024: HK\$130 million/HK\$125 million). Other components of consolidated equity would increase/decrease by approximately HK\$1,241 million/HK\$1,375 million (2024: HK\$1,174 million/HK\$1,278 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The interest rate assumptions represent management's assessment of a reasonably possible change in interest rates over the period until the next annual financial period.

(iii) Foreign Exchange Risk

Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency other than the functional currency of the Group's companies to which they relate. For the Group, it arises principally from its borrowing as well as investment and procurement activities outside Hong Kong.

The Group manages and controls its foreign exchange risk exposure by maintaining a modest level of unhedged non-Hong Kong dollar debt at the parent company level as specified by the Model, and minimal foreign exchange open positions created by its investments and procurements outside Hong Kong. Where the currency of a borrowing is not matched with that of the expected cash flows for servicing the debt, the Company would convert its foreign currency exposure resulting from the borrowing to Hong Kong dollar exposure through cross currency swaps. For investment and procurement in foreign currencies, the Group would purchase the foreign currencies in advance or enter into foreign exchange forward contracts to secure the necessary foreign currencies at pre-determined exchange rates for settlement.

As most of the Group's receivables and payables are denominated in the respective Group companies' functional currencies (Hong Kong dollars, Renminbi, Australian dollars, British Pound or Swedish Krona) or United States dollars (with which Hong Kong dollars are pegged) and most of its payment commitments denominated in foreign currencies are covered by foreign exchange forward contracts, management does not expect that there will be any significant currency risk associated with them.

(iv) Credit Risk

Credit risk refers to the risk that a counterparty will be unable to pay amounts in full when due. For the Group, this arises mainly from the deposits it maintains and the derivative financial instruments that it has entered into with various banks and counterparties as well as from the Defeasance Securities it procured under the lease out/lease back transaction (note 20E). The Group limits its exposure to credit risk by placing deposits and transacting derivative financial instruments only with financial institutions with acceptable investment grade credit ratings or guarantee, and diversifying its exposure to various counterparties.

All derivative financial instruments are subject to a maximum counterparty limit based on the respective counterparty's credit ratings in accordance with policy approved by the Board. Credit exposure in terms of estimated fair market value of and largest potential loss arising from these instruments based on the "value-at-risk" concept is measured, monitored and controlled against their respective counterparty limits. To further reduce counterparty risk exposure, the Group also applies set-off and netting arrangements across all derivative financial instruments and other financial transactions with the same counterparty.

All deposits and investments are similarly subject to a separate maximum counterparty/issuer limit based on the respective counterparty/issuer's credit ratings and/or status as Hong Kong's note-issuing banks. There is also a limit on the length of time that the Group can maintain a deposit with a counterparty or investment from an issuer based upon the counterparty/issuer's credit ratings. Deposit/investment outstanding and maturity profile are monitored regularly to ensure they are within the limits established for the counterparties/issuers. In addition, the Group actively monitors the credit default swap levels of counterparties/issuers and their daily changes, and may on the basis of the observed levels and other considerations adjust its exposure and/or maximum counterparty/issuer limit to the relevant counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Derivative Financial Assets and Liabilities *(continued)*

B Financial Risks *(continued)*

As at the end of the reporting period, the maximum exposure to credit risk of the Group with respect to derivative financial assets and bank deposits is represented respectively by the carrying amount of the derivative financial assets and the aggregate amount of deposits on its consolidated statement of financial position. As at the end of the reporting period, there was no significant concentration risk to a single counterparty.

In addition, the Group also manages and controls its exposure to credit risk in respect of receivables as stated in note 32.

31 Stores and Spares

As at 31 December 2025, stores and spares net of provision for obsolete stock of HK\$91 million (2024: HK\$90 million) amounted to HK\$3,021 million (2024: HK\$2,421 million), of which HK\$2,053 million (2024: HK\$1,654 million) is expected to be consumed within 1 year and HK\$968 million (2024: HK\$767 million) is expected to be consumed after 1 year. Stores and spares expected to be consumed after 1 year comprise mainly contingency spares and stocks kept to meet cyclical maintenance requirements.

32 Debtors and Other Receivables

The Group's credit policies in respect of receivables arising from its principal activities are as follows:

- (i) The majority of fare revenue from Hong Kong transport operations (except for that from the High Speed Rail as described in note 32(ii) below) is collected through Octopus Cards, QR code and contactless bank cards with daily settlement on the next working day or in cash for other ticket types. A small portion of it is collected through pre-sale agents which settle the amounts due within 30 days.
- (ii) In respect of the High Speed Rail, tickets are sold by the Company and other Mainland train operators. The clearance centre of China Railway Corporation administers the revenue allocation and settlement system of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and allocates the revenue of the High Speed Rail to the Company under a "section-based" approach with settlement in the following month.
- (iii) Fare revenue from SZL4 and SZL 13 is collected through Shenzhen Tong Cards, QR code, contactless bank cards, and in cash for other ticket types. The clearing centre administers the revenue allocation and settlement system of Shenzhen railway network and allocates the revenue to the respective lines under "distance-based" approach with settlement in the transaction month.
- (iv) Franchise revenue in Australia is collected either daily or monthly depending on the revenue nature. The majority of the franchise revenue from operations in Sweden was collected in the transaction month with the remainder being collected in the following month. Concession revenue for London Elizabeth Line was collected once every 4 weeks.
- (v) Rentals, advertising and telecommunication service fees are billed monthly with due dates ranging from immediately due to 60 days. Tenants of the Group's investment properties and station kiosks are generally required to pay three to six months' rental deposit upon the signing of lease agreements.
- (vi) Amounts receivable under interest rate and currency swap agreements with financial institutions are due in accordance with the terms of the respective agreements.
- (vii) Consultancy service income is billed monthly for settlement within 30 days upon work completion or on other basis stipulated in the consultancy contracts.
- (viii) Debtors in relation to contracts and capital works entrusted to the Group, subject to any agreed retentions, are due within 30 days upon the certification of work in progress.
- (ix) Amounts receivable in respect of property development are due in accordance with the terms of relevant development agreements or sale and purchase agreements.

The ageing analysis of debtors by due dates is as follows:

in HK\$ million	2025	2024
Amounts not yet due	3,670	8,181
Overdue by within 30 days	233	177
Overdue by more than 30 days but within 60 days	82	55
Overdue by more than 60 days but within 90 days	47	18
Overdue by more than 90 days	84	121
Total debtors	4,116	8,552
Other receivables and contract assets	9,446	7,228
	13,562	15,780

32 Debtors and Other Receivables *(continued)*

Included in other receivables as at 31 December 2025 was HK\$2,267 million (2024: HK\$1,598 million) in respect of property development profit in Hong Kong distributable from stakeholding funds and receivables from property purchasers based on the terms of the development agreements and sales and purchase agreements. In addition, the Company purchased the tax reserve certificates of Hong Kong Profits Tax in respect of certain payments relating to the Rail Merger. Details are set out in note 16B.

The Group's exposure to credit risk on debtors and other receivables mainly relates to debtors relating to rental receivables in Hong Kong and franchise fee/project fee receivables outside of Hong Kong. Given that the Group's policy is to receive rental deposits from tenants in Hong Kong and the debtors in relation to the franchise fee/project fee receivables outside of Hong Kong are government related entities, the Group considers the credit risk is low and the expected credit loss is immaterial.

As at 31 December 2025, all debtors and other receivables were expected to be recovered within one year except for amounts relating to deposits and other receivables of HK\$4,744 million (2024: HK\$3,527 million) which were expected to be recovered after more than one year. The nominal values less credit losses are not discounted as it is considered that the effect of discounting would not be significant.

Included in debtors and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

in million	2025	2024
Australian dollars	7	7
Renminbi	29	107
United States dollars	60	50

33 Amounts Due from Related Parties

in HK\$ million	2025	2024
Amounts due from:		
– HKSAR Government	688	906
– KCRC and Airport Authority Hong Kong ("AAHK")	4,344	4,788
– associates	347	504
	5,379	6,198

As at 31 December 2025, the amount due from the HKSAR Government mainly related to the recoverable cost for the advanced works in relation to the Shatin to Central Link, reimbursement of the fare revenue difference in relation to the "Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities", agency fee receivables and reimbursable costs in respect of West Rail property development (note 24C), as well as receivables and retention for other entrustment and maintenance works.

As at 31 December 2025, the amount due from KCRC and AAHK mainly related to the revenue receivable in respect of (i) High Speed Rail and Shatin to Central Link under relevant supplemental service concession agreements and (ii) the maintenance services provided as detailed in note 48L.

Given the amounts due from related parties mainly related to HKSAR Government and government related entities, the Group considers the credit risk is low and the expected credit loss is immaterial.

As at 31 December 2025, all amounts due from related parties were expected to be recovered within one year except for HK\$2,888 million (2024: HK\$3,353 million) which were expected to be recovered after more than one year. The carrying amounts of amounts due from the HKSAR Government and other related parties are considered not significantly different from their fair values.

34 Cash, Bank Balances and Deposits

in HK\$ million	2025	2024
Deposits with banks and other financial institutions	39,522	23,059
Cash at banks and on hand	4,720	4,827
Cash, bank balances and deposits	44,242	27,886
Less: Bank deposits with more than three months to maturity when placed or pledged deposits (note 35E)	(5,634)	(6,050)
Cash and cash equivalents in the consolidated statement of cash flows	38,608	21,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Cash, Bank Balances and Deposits *(continued)*

Included in cash, bank balance and deposits in the consolidated statement of financial position are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

in million	2025	2024
Australian dollars	126	57
Euros	56	38
Japanese yen	2,287	1,509
Pound sterling	14	23
Renminbi	294	660
United States dollars	2,861	426

35 Loans and Other Obligations

A By Type

in HK\$ million	2025			2024		
	Carrying amount	Fair value	Repayable amount	Carrying amount	Fair value	Repayable amount
Capital market instruments						
Listed or publicly traded:						
Debt issuance programme notes due during 2026 to 2047 (2024: due during 2025 to 2047)	49,828	50,398	48,866	26,597	24,487	27,308
Unlisted:						
Debt issuance programme notes due during 2026 to 2055 (2024: due during 2025 to 2055)	34,044	33,670	33,654	43,515	42,880	44,442
Total capital market instruments	83,872	84,068	82,520	70,112	67,367	71,750
Bank loans	3,656	3,656	3,656	5,543	5,543	5,549
Lease liabilities	1,346	1,346	1,346	1,066	1,066	1,066
Loans and other obligations	88,874	89,070	87,522	76,721	73,976	78,365
Short-term loans	49	49	49	847	847	847
Total	88,923	89,119	87,571	77,568	74,823	79,212

The fair values are based on the discounted cash flows method which discounts the future contractual cash flows at the current market interest and foreign exchange rates that are available to the Group for similar financial instruments. The carrying amounts of short-term loans approximated their fair values. Details of the fair value measurement are disclosed in note 44.

The amounts of borrowings, denominated in a currency other than the functional currency of the entity to which they relate, before and after currency hedging activities are as follows:

in million	Before hedging activities		After hedging activities	
	2025	2024	2025	2024
Australian dollars	431	431	–	–
Japanese yen	15,000	15,000	–	–
Renminbi	7,405	9,160	200	460
United States dollars	5,917	2,973	600	–

35 Loans and Other Obligations (continued)

B By Repayment Terms

in HK\$ million	2025				2024			
	Capital market instruments	Bank loans	Lease liabilities	Total	Capital market instruments	Bank loans	Lease liabilities	Total
Loans and other obligations								
Amounts repayable beyond 5 years	40,842	2,315	671	43,828	30,872	1,576	683	33,131
Amounts repayable within a period of between 2 and 5 years	20,026	668	264	20,958	12,619	637	141	13,397
Amounts repayable within a period of between 1 and 2 years	7,912	452	201	8,565	13,741	188	109	14,038
Amounts repayable within 1 year	13,740	221	210	14,171	14,518	3,148	133	17,799
	82,520	3,656	1,346	87,522	71,750	5,549	1,066	78,365
Short-term loans	-	49	-	49	-	847	-	847
	82,520	3,705	1,346	87,571	71,750	6,396	1,066	79,212
Less: Unamortised discount/premium/finance charges outstanding	(408)	-	-	(408)	(214)	(6)	-	(220)
Adjustment due to fair value change of financial instruments	1,760	-	-	1,760	(1,424)	-	-	(1,424)
Total carrying amount of debt	83,872	3,705	1,346	88,923	70,112	6,390	1,066	77,568

The amounts repayable within 1 year in respect of capital market instruments and bank loans are included in long-term loans as these amounts are intended to be refinanced on a long-term basis.

C Bonds and Notes Issued and Redeemed

Notes issued by the Group during the years ended 31 December 2025 and 2024 comprise:

in HK\$ million	2025		2024	
	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	25,199	24,996	23,486	23,470

During the year ended 31 December 2025, the Group issued US\$3,000 million (HK\$23,344 million) of its listed debt securities (2024: HK\$1,700 million and RMB4,500 million (HK\$4,968 million) in the respective currency). The Group issued HK\$1,240 million and US\$79 million (HK\$615 million) of its unlisted debt securities in the respective currency (2024: AUD50 million (HK\$258 million), HK\$12,541 million, RMB1,855 million (HK\$1,992 million) and US\$259 million (HK\$2,027 million) in the respective currency).

During the year ended 31 December 2025, the Group redeemed HK\$1,200 million and RMB605 million (HK\$684 million) of its listed debt securities in the respective currency (2024: RMB1,500 million (HK\$1,777 million)). The Group redeemed HK\$10,248 million, RMB1,150 million (HK\$1,336 million) and US\$135 million (HK\$1,058 million) of its unlisted debt securities in the respective currency (2024: HK\$4,902 million and RMB420 million (HK\$476 million) in the respective currency).

As at 31 December 2025 and 2024, there were outstanding debt securities issued by a wholly-owned subsidiary, MTR Corporation (C.I.) Limited ("MTRCI"). The obligations of the debt securities issued by MTRCI are direct, unsecured and unsubordinated to the other unsecured obligations of MTRCI which are unconditionally and irrevocably guaranteed by the Company. The obligations of the Company under the guarantee are direct, unsecured, unconditional, and unsubordinated to other unsecured and unsubordinated obligations of the Company.

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35 Loans and Other Obligations (continued)

D Lease Liabilities

At 31 December 2025 and 2024, the Group had lease liabilities as follows:

in HK\$ million	2025		2024	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	210	248	133	161
After 1 year but within 2 years	201	231	109	134
After 2 years but within 5 years	264	329	141	200
After 5 years	671	882	683	902
	1,136	1,442	933	1,236
	1,346	1,690	1,066	1,397
Less: Total future interest expenses to be expensed or capitalised		(344)		(331)
Present value of lease obligations		1,346		1,066

E Guarantees and Pledges

(i) There were no guarantees given by the HKSAR Government in respect of the loan facilities of the Group as at 31 December 2025 and 2024.

(ii) As at 31 December 2025, MTR Corporation (Shenzhen) Limited has pledged the fare and non-fare revenue and the benefits of insurance contracts in relation to Phase 2 of Shenzhen Metro Line 4 as security for the RMB461 million (HK\$513 million) bank loan facility granted to it.

(iii) As at 31 December 2025, MTR CREC Metro (Shenzhen) Company Limited, a subsidiary of the Company in Chinese Mainland, has pledged the fare and non-fare revenue in relation to Phase 1 of SZL13 as security for the RMB3.2 billion (HK\$3.6 billion) bank loan facility granted to it.

Save as disclosed above and those disclosed elsewhere in the consolidated financial statements, none of the other assets of the Group was charged or subject to any encumbrance as at 31 December 2025.

36 Creditors, Other Payables and Provisions

in HK\$ million	2025	2024
Creditors and accrued charges	21,341	23,015
Other payables, deferred income and provisions	34,421	43,212
Contract liabilities	3,062	3,190
	58,824	69,417

A Creditors and Accrued Charges

The analysis of creditors by due dates is as follows:

in HK\$ million	2025	2024
Due within 30 days or on demand	8,551	9,212
Due after 30 days but within 60 days	2,438	2,850
Due after 60 days but within 90 days	1,122	1,166
Due after 90 days	4,498	4,761
	16,609	17,989
Rental and other refundable deposits	2,676	2,823
Accrued employee benefits	2,056	2,203
	21,341	23,015

The Group's general payment terms are one to two months from the invoice date.

The nominal values of creditors and accrued charges are not significantly different from their fair values.

36 Creditors, Other Payables and Provisions *(continued)*

A Creditors and Accrued Charges *(continued)*

Included in creditors and accrued charges are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

in million	2025	2024
Australian dollars	5	14
Euros	42	56
Japanese yen	574	616
Pound sterling	43	179
Renminbi	12	128
United States dollars	7	49

B Other Payables, Deferred Income and Provisions

Other payables included contract retentions. Deferred income related to (i) the surplus amounts of payments received from property developers in excess of the balance in property development in progress, (ii) portion of fair value amount of shopping mall received from property development in connection with the outstanding risks and obligations retained by the Group (note 13) as well as (iii) the unutilised government grant of HK\$25,602 million (2024: HK\$28,804 million).

C Contract Liabilities

Movements in contract liabilities of the Group during the year ended 31 December are as follows:

in HK\$ million	2025	2024
Balance as at 1 January	3,190	3,124
Increase in contract liabilities as a result of billing in advance	433	704
Decrease in contract liabilities as a result of revenue recognised during the year that was included in the contract liabilities at the beginning of the year	(734)	(544)
Exchange differences	173	(94)
Balance as at 31 December	3,062	3,190

Contract liabilities mainly arise from construction contracts and other project arrangements, when the Group receives a deposit before the activity commences and until the revenue recognised on the project exceeds the amount of the deposit received. The payment terms are negotiated on a case by case basis with customers.

D As at 31 December 2025, except for unutilised government grant included in deferred income, contract liabilities and others of HK\$35,464 million (2024: HK\$48,802 million) which were expected to be settled or recognised as income after one year, all remaining creditors and other payables were expected to be settled or recognised as income within one year. The Group considers the effect of discounting the amounts due after one year would be immaterial.

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37 Amounts Due to Related Parties

in HK\$ million	2025	2024
Amounts due to:		
– HKSAR Government	250	117
– KCRC	3,395	3,090
– associates	10	–
	3,655	3,207

The amount due to the HKSAR Government as at 31 December 2025 relates to land administrative fees in relation to railway extensions.

The amount due to KCRC as at 31 December 2025 mainly relates to the accrued portion of the fixed annual payment and variable annual payment that is expected to be settled within 12 months.

38 Obligations under Service Concession

Movements of the Group's obligations under service concessions are as follows:

in HK\$ million	2025	2024
Balance as at 1 January	9,969	10,059
Less: Net amount repaid during the year	(90)	(85)
Exchange differences	7	(5)
Balance as at 31 December	9,886	9,969

The outstanding balances as at 31 December 2025 and 2024 are repayable as follows:

in HK\$ million	2025			2024		
	Present value of payment obligations	Interest expense relating to future periods	Total payment obligations	Present value of payment obligations	Interest expense relating to future periods	Total payment obligations
Amounts repayable beyond 5 years	9,330	11,031	20,361	9,454	11,665	21,119
Amounts repayable within a period of between 2 and 5 years	357	1,932	2,289	329	1,953	2,282
Amounts repayable within a period of between 1 and 2 years	103	658	761	96	665	761
Amounts repayable within 1 year	96	666	762	90	671	761
	9,886	14,287	24,173	9,969	14,954	24,923

39 Loans from Holders of Non-controlling Interests

Loans from holders of non-controlling interests as at 31 December 2025 mainly represents the portion of total shareholder loan of AUD60 million (HK\$312 million) (2024: AUD60 million (HK\$290 million)) granted to Metro Trains Australia Pty. Ltd. ("MTA") by the holders of its non-controlling interests. The loan carries an interest rate of 6.2% per annum and is repayable at the discretion of MTA or on 28 November 2027, whichever is earlier.

40 Income Tax in the Consolidated Statement of Financial Position

A Current taxation in the consolidated statement of financial position includes:

in HK\$ million	2025	2024
Balance relating to Hong Kong Profits Tax	1,688	2,790
Balance relating to tax outside Hong Kong	162	119
	1,850	2,909

B Deferred Tax Assets and Liabilities Recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

in HK\$ million	Deferred tax arising from							Total
	Depreciation allowances in excess of related depreciation	Right-of-use assets	Lease liabilities	Revaluation of properties	Provision and other temporary differences	Cash flow hedges	Tax losses	
2025								
Balance as at 1 January 2025	15,636	47	(55)	722	(628)	(49)	(28)	15,645
Charged/(credited) to profit or loss	960	2	-	-	(1)	-	8	969
(Credited)/charged to other comprehensive income	-	-	-	(32)	35	(221)	-	(218)
Exchange differences	-	3	(4)	(1)	(24)	-	-	(26)
Balance as at 31 December 2025	16,596	52	(59)	689	(618)	(270)	(20)	16,370
2024								
Balance as at 1 January 2024	14,618	62	(106)	766	(655)	(102)	(35)	14,548
Charged/(credited) to profit or loss	1,018	(12)	14	-	(44)	-	7	983
(Credited)/charged to other comprehensive income	-	-	-	(25)	26	53	-	54
Disposal of subsidiaries (note 7)	-	-	32	(23)	-	-	-	9
Exchange differences	-	(3)	5	4	45	-	-	51
Balance as at 31 December 2024	15,636	47	(55)	722	(628)	(49)	(28)	15,645

Deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

in HK\$ million	2025	2024
Net deferred tax assets	(509)	(521)
Net deferred tax liabilities	16,879	16,166
	16,370	15,645

C The Group has not recognised deferred tax assets in respect of some of its subsidiaries' cumulative tax losses of HK\$4,371 million (2024: HK\$3,434 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Share Capital, Shares Held for Executive Share Incentive Scheme, Reserves, Company-level Movements in Components of Equity and Capital Management

A Share Capital

	2025		2024	
	Number of shares	HK\$ million	Number of shares	HK\$ million
Ordinary shares, issued and fully paid:				
At 1 January	6,224,823,171	61,287	6,217,197,282	61,083
Shares issued in respect of scrip dividend of 2023 final ordinary dividend	-	-	7,625,889	202
Vesting of shares of Executive Share Incentive Scheme	-	-	-	2
At 31 December	6,224,823,171	61,287	6,224,823,171	61,287

In accordance with section 135 of the Companies Ordinance, the ordinary shares of the Company do not have a par value.

B Shares Held for Executive Share Incentive Scheme

During the year ended 31 December 2025, the Company awarded Performance Shares and Restricted Shares under the Company's Executive Share Incentive Scheme to certain eligible employees of the Group (note 45). 33,100 Restricted Shares were awarded and accepted by the grantees on 1 April 2025, and a total of 288,350 Performance Shares and 4,272,250 Restricted Shares were awarded and accepted by the grantees on 8 April 2025 (2024: 492,823 Performance Shares were awarded and accepted by the grantees on 18 March 2024, and a total of 3,221,000 Performance Shares and 4,099,500 Restricted Shares were awarded and accepted by a grantee on 8 April 2024). The fair values of these awarded shares were HK\$25.65 per share on 1 April 2025 and HK\$24.40 per share on 8 April 2025 (2024: HK\$25.70 per share on 18 March 2024 and HK\$25.40 per share on 8 April 2024).

During the year ended 31 December 2025, 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 Hong Kong Stock Exchange a total of 4,341,500 Ordinary Shares (2024: 7,454,157 Ordinary Shares) of the Company for a total consideration of approximately HK\$113 million (2024: HK\$207 million). During the year ended 31 December 2025, nil Ordinary Shares (2024: 108,555 Ordinary Shares) of the Company were issued to the Executive Share Incentive Scheme in relation to scrip dividend issued amounting to HK\$nil (2024: HK\$3 million).

During the year ended 31 December 2025, 3,377,105 award shares (2024: 4,378,805 award shares) were transferred to the awardees under the Executive Share Incentive Scheme upon vesting. The total cost of the vested shares was HK\$114 million (2024: HK\$180 million). During the year ended 31 December 2025, HK\$nil (2024: HK\$2 million) was credited to share capital in respect of vesting of shares whose fair values at the grant date were higher than the costs of the vested shares. During the year ended 31 December 2025, 207,035 award shares (2024: 205,348 award shares) were lapsed/forfeited.

As at 31 December 2025, taking into account the shares acquired out of the dividends from the shares held under the trust, there were 10,643,059 shares (2024: 9,678,664 shares) held in trust under the Executive Share Incentive Scheme (excluding shares vested but not yet transferred to awardees).

41 Share Capital, Shares Held for Executive Share Incentive Scheme, Reserves, Company-level Movements in Components of Equity and Capital Management *(continued)*

C Reserves

The fixed assets revaluation reserve is used to deal with the surpluses or deficits arising from the revaluation of self-occupied buildings (note 2E(ii)).

The hedging reserve comprises the cash flow hedge reserve and the cost of hedging reserve. The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges as explained in note 2T(ii).

The cost of hedging reserve comprises the fair values of the effect of foreign currency basis spread of the derivative financial instruments used in fair value hedges and cash flow hedges in accordance with the accounting policy set out in note 2(T)(iv).

The movements of the hedging reserve are as follows:

in HK\$ million	2025			2024		
	Cash flow hedge reserve	Costs of hedging reserve	Total hedging reserve	Cash flow hedge reserve	Costs of hedging reserve	Total hedging reserve
Balance as at 1 January	(253)	–	(253)	(522)	–	(522)
Effective portion of changes in fair value of hedging instruments for cash flow hedges recognised during the year	2	–	2	(28)	–	(28)
Changes in fair value for costs of hedging during the year	–	(1,253)	(1,253)	–	–	–
Amounts transferred to initial carrying amount of hedged items	–	–	–	1	–	1
Amounts transferred to profit or loss during the year						
– Interest and finance charges	(229)	132	(97)	345	–	345
– Other	9	–	9	5	–	5
	(218)	(1,121)	(1,339)	323	–	323
Tax effect resulting from:						
– Effective portion of changes in fair value of hedging instruments recognised during the year	–	–	–	5	–	5
– Changes in fair value for costs of hedging during the year	–	207	207	–	–	–
– Amounts transferred to profit or loss during the year	36	(22)	14	(58)	–	(58)
Other comprehensive (loss)/income (note 19)	(182)	(936)	(1,118)	270	–	270
Amounts transferred from hedging reserve to initial carrying amount of hedged items	(8)	–	(8)	(1)	–	(1)
Balance as at 31 December	(443)	(936)	(1,379)	(253)	–	(253)

The employee share-based capital reserve comprises the share-based payment expenses recognised in respect of award shares under the Executive Share Incentive Scheme granted which are yet to be vested, as explained in the accounting policy under note 2U(iii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Share Capital, Shares Held for Executive Share Incentive Scheme, Reserves, Company-level Movements in Components of Equity and Capital Management *(continued)*

C Reserves *(continued)*

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2AA.

Apart from retained profits, the other reserves are not available for distribution to shareholders because they do not constitute realised profits. In addition, the Company considers the cumulative surpluses on fair value measurement of investment properties of HK\$63,721 million (2024: HK\$65,491 million) do not constitute realised profits and statutory reserves of the subsidiaries in Chinese Mainland of HK\$99 million (2024: HK\$98 million) included in retained profits of the Company are non-distributable. As at 31 December 2025, the Company considers that the total amount of reserves of the Company available for distribution to shareholders amounted to HK\$55,799 million (2024: HK\$48,078 million).

Included in the Group's retained profits as at 31 December 2025 is an amount of HK\$5,218 million (2024: HK\$5,126 million), being the retained profits attributable to the associates and joint ventures.

D Capital Management

The Group's primary objectives in managing capital are to safeguard its ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide an adequate return to its shareholders.

The Group manages the amount of capital in proportion to risk, and makes adjustments to its capital structure through the amount of dividend payment to shareholders, issuance of scrip and new shares, and managing its debt portfolio in conjunction with projected financing requirement. The FSI of the HKSAR Government is the majority shareholder of the Company holding 4,634,173,932 shares as at 31 December 2025, representing 74.45% of total equity interest in the Company.

The Group monitors capital on the basis of the net debt-to-equity ratio, which is calculated based on net borrowings as a percentage of the total equity, where net borrowings are represented by the aggregate of loans and other obligations, obligations under service concession and loans from holders of non-controlling interests net of cash, bank balance, deposits and bank medium-term notes. As at 31 December 2025, the Group's net debt-to-equity ratio is 22.5% (2024: 31.6%).

Fasttrack Insurance Ltd. is required to maintain a minimum level of shareholders' fund based on the Bermuda Insurance Act. MTR Corporation (Shenzhen) Limited is required to maintain a registered capital at or above 40% of the total investment for the SZL4 project in accordance with the concession agreement. MTR Property Development (Shenzhen) Company Limited is required to maintain a registered capital at or above 33% of the total investment based on Jianfang [2015] No. 122. Metro Trains Melbourne Pty. Ltd. is required to maintain total shareholders' funds at a specified amount in accordance with the franchise agreement. All the Group's subsidiaries in Sweden are required to maintain total shareholders' fund at or above 50% of their respective registered share capital based on the Swedish Companies Act. MTR Travel Limited is required to maintain a certain level of paid-up capital in order to maintain membership of the Travel Industry Council of Hong Kong. As at 31 December 2025, all these capital requirements were met. Apart from these, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements.

41 Share Capital, Shares Held for Executive Share Incentive Scheme, Reserves, Company-level Movements in Components of Equity and Capital Management *(continued)*

E Company-level Movements in Components of Equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

in HK\$ million	Note	Share capital	Shares held for Executive Share Incentive Scheme	Other reserves			Retained profits	Total equity
				Fixed assets revaluation reserve	Hedging reserve	Employee share-based capital reserve		
2025								
Balance as at 1 January 2025	50	61,287	(299)	3,721	(423)	139	114,090	178,515
Profit for the year		-	-	-	-	-	15,054	15,054
Other comprehensive (loss)/income for the year		-	-	(162)	(1,121)	-	186	(1,097)
Total comprehensive (loss)/income for the year		-	-	(162)	(1,121)	-	15,240	13,957
Amounts transferred from hedging reserve to initial carrying amount of hedged items		-	-	-	(8)	-	-	(8)
2024 final ordinary dividend		-	-	-	-	-	(5,541)	(5,541)
2025 interim ordinary dividend		-	-	-	-	-	(2,614)	(2,614)
Shares purchased for Executive Share Incentive Scheme		-	(113)	-	-	-	-	(113)
Vesting and forfeiture of award shares of Executive Share Incentive Scheme		-	114	-	-	(110)	(4)	-
Employee share-based payments		-	-	-	-	132	-	132
Balance as at 31 December 2025	50	61,287	(298)	3,559	(1,552)	161	121,171	184,328
2024								
Balance as at 1 January 2024		61,083	(269)	3,848	(668)	178	108,480	172,652
Profit for the year		-	-	-	-	-	13,617	13,617
Other comprehensive (loss)/income for the year		-	-	(127)	246	-	143	262
Total comprehensive (loss)/income for the year		-	-	(127)	246	-	13,760	13,879
Amounts transferred from hedging reserve to initial carrying amount of hedged items		-	-	-	(1)	-	-	(1)
2023 final ordinary dividend		-	-	-	-	-	(5,533)	(5,533)
Shares issued in respect of scrip dividend of 2023 final ordinary dividend		202	(3)	-	-	-	3	202
2024 interim ordinary dividend		-	-	-	-	-	(2,614)	(2,614)
Shares purchased for Executive Share Incentive Scheme		-	(207)	-	-	-	-	(207)
Vesting and forfeiture of award shares of Executive Share Incentive Scheme		2	180	-	-	(176)	(6)	-
Employee share-based payments		-	-	-	-	137	-	137
Balance as at 31 December 2024	50	61,287	(299)	3,721	(423)	139	114,090	178,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Perpetual Capital Securities

On 24 June 2025, MTR Corporation (C.I.) Limited ("MTRCI"), a wholly-owned subsidiary of the Company, issued subordinated perpetual capital securities ("Perpetual Securities") of US\$3,000 million (HK\$23,550 million) in aggregate at par in two equal tranches, which are unconditionally and irrevocably guaranteed by the Company.

The first tranche of Perpetual Securities, amounting to US\$1,500 million (HK\$11,775 million), is perpetual, redeemable at the option of MTRCI at the relevant times (including, in the case of the exercise of the par call option, on or after 24 September 2030) and entitles the holders to receive distributions at a distribution rate which is fixed at 4.875% per annum in the first 5.5 years, reset at year 5.5 and every 5 years thereafter, and with step up margins of 0.25% applied starting at year 10.5 and 1% applied starting at year 25.5.

The second tranche of Perpetual Securities, amounting to US\$1,500 million (HK\$11,775 million), is perpetual, redeemable at the option of MTRCI at the relevant times (including, in the case of the exercise of the par call option, on or after 24 September 2035) and entitles the holders to receive distributions at a distribution rate which is fixed at 5.625% per annum in the first 10.5 years, reset at year 10.5 and every 5 years thereafter, and with step up margins of 0.25% applied starting at year 10.5 and 1% applied starting at year 30.5.

The distributions on the Perpetual Securities are payable semi-annually in arrears. They can be deferred at MTRCI's discretion provided that MTRCI and the Company shall not, subject to certain exceptions, (a) declare or pay any dividends or distributions, or (b) redeem, reduce, cancel, buy-back or acquire for any consideration any of their obligations with ranking lower than or equal to the Perpetual Securities until the payment of such deferred distributions.

The Perpetual Securities issued were classified as equity in the consolidated financial statements of the Group. The proceeds of the Perpetual Securities are on lent to the Company and for general corporate purposes and the Perpetual Securities are listed on the Hong Kong Stock Exchange.

43 Other Cash Flows Information

A Reconciliation of the Group's operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment arising from recurrent businesses to cash generated from operations is as follows:

in HK\$ million	2025	2024
Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment arising from recurrent businesses	17,701	17,907
Adjustments for non-cash items	119	414
Operating profit before working capital changes	17,820	18,321
Decrease in debtors and other receivables	935	565
Increase in stores and spares	(547)	(11)
(Decrease)/increase in creditors, other payables and provision	(2,321)	866
Cash generated from operations	15,887	19,741

43 Other Cash Flows Information (continued)

B Reconciliation of the Group's liabilities arising from financing activities is as follows:

in HK\$ million	Loans and other obligations				Short-term loans	Interest and finance charges payables	Total
	Capital market instruments	Bank loans	Lease liabilities	Others			
2025							
At 1 January 2025	70,112	5,543	1,066	–	847	347	77,915
Changes from financing cash flows:							
– Proceeds from loans and capital market instruments	24,996	8,765	–	–	29,326	–	63,087
– Repayment of loans and capital market instruments	(14,527)	(10,804)	–	–	(30,133)	–	(55,464)
– Capital element of lease rentals paid	–	–	(255)	–	–	–	(255)
– Interest and finance charges paid	–	–	–	–	–	(2,556)	(2,556)
	10,469	(2,039)	(255)	–	(807)	(2,556)	4,812
Exchange differences	99	157	38	–	4	–	298
Other changes:							
– Adjustment due to fair value change of financial instruments	3,192	–	–	–	–	–	3,192
– Recognition of lease liabilities	–	–	497	–	–	–	497
– Interest and finance charges	–	–	–	–	–	2,094	2,094
– Reclassification	–	(5)	–	–	5	–	–
	3,192	(5)	497	–	5	2,094	5,783
At 31 December 2025	83,872	3,656	1,346	–	49	(115)	88,808
2024							
At 1 January 2024	54,378	2,411	720	603	1,379	289	59,780
Changes from financing cash flows:							
– Proceeds from loans and capital market instruments	23,486	9,412	–	–	12,944	–	45,842
– Repayment of loans and capital market instruments	(7,155)	(6,167)	–	(621)	(13,462)	–	(27,405)
– Capital element of lease rentals paid	–	–	(189)	–	–	–	(189)
– Interest and finance charges paid	–	–	–	–	–	(2,497)	(2,497)
	16,331	3,245	(189)	(621)	(518)	(2,497)	15,751
Exchange differences	(44)	(113)	(21)	(1)	(14)	–	(193)
Other changes:							
– Adjustment due to fair value change of financial instruments	(553)	–	–	–	–	–	(553)
– Recognition of lease liabilities	–	–	556	–	–	–	556
– Interest and finance charges	–	–	–	19	–	2,555	2,574
	(553)	–	556	19	–	2,555	2,577
At 31 December 2024	70,112	5,543	1,066	–	847	347	77,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Other Cash Flows Information *(continued)*

C Total Cash Outflows for Leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

in HK\$ million	2025	2024
Within operating cash flows	49	39
Within financing cash flows	299	211
	348	250

These amounts relate to the leases of the following:

in HK\$ million	2025	2024
Leasehold land	77	–
Buildings	158	172
Plant and equipment	113	78
	348	250

44 Fair Value Measurement

In accordance with HKFRS 13, *Fair Value Measurement*, the level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3: Fair value measured using significant unobservable inputs

A Fair Value Measurements of Fixed Assets

All of the Group's investment properties and self-occupied buildings measured at fair value on a recurring basis are categorised as Level 3 of the fair value hierarchy.

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in respect of the Group's investment properties and self-occupied buildings. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

All the Group's investment properties and self-occupied buildings were revalued as at 31 December 2025 and 2024 by independent qualified surveyors. The Group's senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

The fair value of all the Group's self-occupied buildings is determined on a recurring basis using primarily the direct comparison approach assuming sale of properties in their existing state with vacant possession.

The property interests of all the shopping malls and office accommodation held by the Group as investment properties have been valued using the income capitalisation approach. Under this approach, the market value is derived from the capitalisation of the rental revenue to be received under existing tenancies and the estimated full market rental value to be received upon expiry of the existing tenancies with reference to the market rental levels prevailing as at the date of valuation by an appropriate single market yield rate. The range of market yield rate adopted for the valuation of major investment properties as at 31 December 2025 was 3.5% – 5.75% (2024: 3.5% – 5.75%) with a weighted average of 4.8% (2024: 4.8%). The fair value measurement is negatively correlated to the market yield rate.

The movements of investment properties during the year ended 31 December 2025 are shown in note 20A. All the fair value adjustment related to remeasurement on investment properties held as at 31 December 2025 was recognised under "loss from fair value measurement of investment properties" in the consolidated statement of profit or loss.

44 Fair Value Measurement *(continued)*

B Fair Value Measurements of Financial Instruments

(i) Financial Assets and Liabilities Carried at Fair Value

Included in the Group's investments in securities as at 31 December 2025, there were HK\$231 million (2024: HK\$312 million) of listed debt securities carried at fair value using Level 1 measurements, HK\$nil (2024: HK\$1,000 million) of investment in bank medium-term notes carried at fair value using Level 2 measurements and HK\$974 million (2024: HK\$640 million) of unlisted equity securities carried at fair value using Level 3 measurements.

The Group's derivative financial instruments were carried at fair value using Level 2 measurements. As at 31 December 2025, the fair values of derivative financial assets and derivative financial liabilities were HK\$1,691 million (2024: HK\$342 million) and HK\$2,401 million (2024: HK\$2,014 million) respectively.

The discounted cash flow method, which discounts the future contractual cash flows at the current market interest rates, is the main valuation technique used to determine the fair value of the Group's borrowings, derivative financial instruments and investment in bank medium-term notes. For interest rate swaps, cross currency swaps and foreign exchange forward contracts, the discount rates used were derived from the swap curves of the respective currencies and the cross currency basis curves of the respective currency pairs at the end of the reporting period. Closing exchange rates at the end of the reporting period were used to convert value in foreign currency to local currency.

The fair value of the Group's investments in unlisted equity securities is determined based on the recent arm's length transactions, net asset value of funds, market approach or the adjusted net asset method. For the fair value determined based on the net asset value of funds, the significant unobservable input includes the inputs by fund managers. For the fair value determined based on market approach, the significant unobservable input includes market multiples and discounts for lack of marketability. For the fair value determined based on adjusted net asset method, the significant unobservable input includes fair value of the individual assets less liabilities (recognised and unrecognised). The fair value measurement is positively correlated with the inputs by fund managers, the market multiples and fair value of the individual assets less liabilities (recognised and unrecognised) and negatively correlated with the discounts for lack of marketability. The movements of the investments in unlisted equity securities during the year are as follows:

in HK\$ million	2025	2024
At 1 January	640	564
Additions	310	143
Disposal	(4)	-
Changes in fair value recognised in profit or loss	10	(54)
Exchange differences recognised in other comprehensive income	18	(13)
At 31 December	974	640

As at 31 December 2025, it is estimated that a 5-percent increase/decrease (2024: 5-percent increase/decrease) in fair value of the total individual assets less liabilities (recognised and unrecognised), with all other variables held constant, would increase/decrease the Group's profit after tax by approximately HK\$42 million/HK\$42 million (2024: HK\$27 million/HK\$27 million).

At the end of each interim and annual reporting period, valuations are performed for the financial instruments which are categorised into Level 3 of the fair value hierarchy, and the valuation assumptions and results are reviewed by the Group's management accordingly.

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Financial Assets and Liabilities Not Carried at Fair Value

The carrying amounts of the Group's financial assets and liabilities not carried at fair value are not materially different from their fair values as at 31 December 2025 and 2024 except for capital market instruments, for which their carrying amounts and fair values are disclosed below:

in HK\$ million	At 31 December 2025		At 31 December 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Capital market instruments	83,872	84,068	70,112	67,367

The above fair value measurement is categorised as Level 2. The discount cash flow method, which discounts the future contractual cash flows at the current market interest rates, is the main valuation technique used to determine the fair value of the Group's capital market instruments. The discount rates used were derived from the swap curves of the respective currencies at the end of the reporting period. Closing exchange rates at the end of the reporting period were used to convert value in foreign currency to local currency.

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45 Share-based Payments

Equity-settled Share-based Payments – Executive Share Incentive Scheme

On 15 August 2014, the Board of the Company approved the adoption of the Executive Share Incentive Scheme. The Executive Share Incentive Scheme took effect on 1 January 2015 for an original term of 10 years up to 31 December 2024. The Board then approved the renewal of the Executive Share Incentive Scheme for a further 10 years and so it remains in force until 31 December 2034 (unless terminated earlier by the Company).

The purposes of the Executive Share Incentive Scheme are to retain management and key employees, to align participants' interest with the long-term success of the Company and to drive the achievement of strategic objectives of the Company. Under the Executive Share Incentive Scheme, an award holder may be granted an award of Restricted Shares and/or Performance Shares (collectively known as "Award Shares"). Restricted Shares are awarded to selective eligible employees. Performance Shares are awarded to eligible employees which vest subject to the performance of the Company over a pre-determined performance period, assessed by reference to such Board-approved performance metric and in respect of such performance period and any other performance conditions as determined by the Remuneration Committee from time to time.

Subject to the Scheme Rules, the Remuneration Committee shall determine the vesting criteria and conditions or periods for the Award Shares to be vested, subject to review from time to time. An award of Restricted Shares will vest ratably over three years in equal tranches (unless otherwise determined by the Remuneration Committee). An award of Performance Shares will vest upon certification by the Remuneration Committee that the relevant performance metric and performance conditions have been achieved. The Executive Share Incentive Scheme will be administered by the Company in accordance with the Scheme Rules and the Company has entered into a Trust Deed with the Trustee for the purpose of implementing the Scheme. The number of Award Shares will be acquired in the market at the cost of the Company by the Trustee. Award Shares will be held on trust by the Trustee until the end of each vesting period.

The following awards of shares with vesting period falling in the years ended 31 December 2025 and 2024 were offered to Members of the Executive Directorate and selected employees of the Group under the Executive Share Incentive Scheme:

Date of award	Number of Award Shares granted		Fair value per share HK\$	Vesting period	
	Restricted Shares	Performance Shares		From	To
8 April 2021	1,955,950	1,558,050	44.05	1 April 2021	1 April 2024 (Restricted Shares) 1 April 2024 (Performance Shares)
1 April 2022	132,000	–	42.35	1 April 2022	31 March 2025
8 April 2022	2,507,250	240,700	42.05	1 April 2022	1 April 2025 (Restricted Shares) 1 April 2024 (Performance Shares)
11 April 2023	2,561,550	42,850	39.10	3 April 2023	3 April 2026 (Restricted Shares) 1 April 2024 (Performance Shares)
25 September 2023	60,900	–	30.30	19 September 2023	19 September 2026
18 March 2024*	–	492,823	25.70	–	–
8 April 2024	4,099,500	3,221,000	25.40	2 April 2024	1 April 2027 (Restricted Shares) 1 April 2027 (Performance Shares)
1 April 2025	33,100	–	25.65	1 April 2025	31 December 2025
8 April 2025	4,272,250	288,350	24.40	1 April 2025	1 April 2028 (Restricted Shares) 1 April 2027 (Performance Shares)

* Following a review of the results of the 2021 – 2023 performance cycle by the Remuneration Committee, additional Performance Shares were awarded to eligible employees under the Executive Share Incentive Scheme on 18 March 2024 and fully vested on 18 March 2024.

Movement in the number of Award Shares outstanding was as follows:

	2025	2024
	Number of Award Shares	Number of Award Shares
Outstanding as at 1 January	9,455,634	6,226,464
Awarded during the year	4,593,700	7,813,323
Vested during the year	(3,377,105)	(4,378,805)
Forfeited during the year	(207,035)	(205,348)
Outstanding as at 31 December	10,465,194	9,455,634

45 Share-based Payments *(continued)*

Equity-settled Share-based Payments – Executive Share Incentive Scheme *(continued)*

Award Shares outstanding at 31 December 2025 had the following remaining vesting periods:

Award Shares	Remaining vesting period years	Number of Award Shares
Restricted Shares		
11 April 2023	0.25	642,054
25 September 2023	0.72	20,300
8 April 2024	1.25	2,347,390
1 April 2025	–	–
8 April 2025	2.25	4,036,600
Performance Shares		
8 April 2024	1.25	3,130,500
8 April 2025	1.25	288,350

The details of the Executive Share Incentive Scheme are also disclosed in the Remuneration Report.

During the year ended 31 December 2025, the equity-settled share-based payments relating to the Executive Share Incentive Scheme recognised as an expense amounted to HK\$132 million (2024: HK\$137 million) (note 10A).

46 Retirement Schemes

The Group operates or participates in a number of retirement schemes in Hong Kong, Chinese Mainland, Macao, the United Kingdom, Sweden and Australia. The assets of these schemes are held under the terms of separate trust arrangements so that the assets are kept separate from those of the Group. The majority of the Group's employees are covered by the retirement schemes operated by the Company.

A Retirement Schemes Operated by the Company in Hong Kong

The Company operated four retirement schemes under trust in Hong Kong during the year ended 31 December 2025, including the MTR Corporation Limited Retirement Scheme (the "MTR Retirement Scheme"), the MTR Corporation Limited Provident Fund Scheme (the "MTR Provident Fund Scheme") and two MPF Schemes, the "MTR MPF Scheme" and the "KCRC MPF Scheme".

Currently, new eligible employees can choose between the MTR Provident Fund Scheme and the MTR MPF Scheme while the MTR MPF Scheme covers employees who did not opt for or who are not eligible to join the MTR Provident Fund Scheme.

(i) MTR Retirement Scheme

The MTR Retirement Scheme is a defined benefit scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO") and has been granted an MPF Exemption Certificate by the Mandatory Provident Fund Schemes Authority (the "MPFA").

The MTR Retirement Scheme had been closed to new employees from 1 April 1999 onwards. It is administrated in accordance with the Trust Deed and Rules by the Board of Trustees, comprising management and employee representatives, and independent non-employer trustees. It provides benefits based on the greater of a multiple of final salary times years of service and a factor times the accumulated member contributions with investment returns. Members' contributions are based on fixed percentages of base salary. The Company's contributions are determined by reference to an annual actuarial valuation carried out by an independent actuarial consulting firm. As at 31 December 2025, the total number of members was 1,858 (2024: 2,076). In 2025, members contributed HK\$46 million (2024: HK\$49 million) and the Company contributed HK\$220 million (2024: HK\$95 million) to the MTR Retirement Scheme. The fair value of scheme assets of the MTR Retirement Scheme excluding the portion attributable to members' voluntary contributions as at 31 December 2025 was HK\$6,916 million (2024: HK\$6,938 million).

The actuarial valuations as at 31 December 2025 and 2024 to determine the accounting obligations in accordance with HKAS 19, *Employee Benefits*, were carried out by an independent actuarial consulting firm, Towers Watson Hong Kong Limited ("WTW"), which is represented by Ms Wing Lui, a Fellow of the Society of Actuaries of the United States of America, using the Projected Unit Credit Method. The results of the valuation are shown in note 47.

The actuarial valuations as at 31 December 2025 and 2024 to determine the cash funding requirements were also carried out by Ms Wing Lui of WTW using the Attained Age Method. The principal actuarial assumptions used for the valuation as at 31 December 2025 included a long-term rate of investment return net of salary increases of 0.75% (2024: 0.25%) per annum, together with appropriate allowances for expected rates of mortality, turnover and retirement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Retirement Schemes *(continued)*

A Retirement Schemes Operated by the Company in Hong Kong *(continued)*

As at the valuation date of 31 December 2025, under the situation that the value of members' voluntary contributions was included:

(a) the MTR Retirement Scheme was solvent, covering 104.1% (2024: 99.4%) of the aggregate vested liability had all members left service with their leaving service benefits secured, resulting in a solvency surplus of HK\$284 million (2024: solvency deficit of HK\$42 million); and

(b) on the assumption that the MTR Retirement Scheme would continue in force, its value of assets was sufficient to cover the aggregate past service liability, with a funding level of 104.1% (2024: 98.7%), representing a past service surplus of HK\$279 million (2024: past service deficit of HK\$92 million).

(ii) MTR Provident Fund Scheme

The MTR Provident Fund Scheme is a defined contribution scheme registered under the ORSO and has been granted an MPF Exemption Certificate by the MPFA. All benefits payable under the MTR Provident Fund Scheme are calculated by reference to members' own contributions and the Company's contributions, investment returns on these contributions, together with year of services. Both members' and the Company's contributions are based on fixed percentages of members' base salary.

As at 31 December 2025, the total number of employees participating in the MTR Provident Fund Scheme was 11,924 (2024: 11,312). In 2025, total members' contributions were HK\$225 million (2024: HK\$200 million) and total contributions from the Company were HK\$486 million (2024: HK\$441 million). No contributions forfeited by employees leaving the scheme were utilised to offset contributions during the year (2024: HK\$nil). As at 31 December 2025, forfeited contributions of HK\$161 million (2024: HK\$125 million) were available to reduce the contributions payable in future years. The net asset value as at 31 December 2025 was HK\$9,357 million (2024: HK\$7,799 million).

(iii) MTR MPF Scheme

The MTR MPF Scheme is a defined contribution scheme covered under an MPF master trust registered with the MPFA. It covers those employees who did not opt for or who are not eligible to join the MTR Retirement Scheme or the MTR Provident Fund Scheme. Both members and the Company each contribute to the MTR MPF Scheme at the mandatory levels as required by the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (the "MPFSO"). The Company makes additional contributions above the mandatory level for eligible members who joined the MTR MPF Scheme before 1 April 2008, subject to individual terms of employment.

As at 31 December 2025, the total number of employees participating in the MTR MPF Scheme was 6,911 (2024: 6,305). In 2025, total members' contributions were HK\$74 million (2024: HK\$67 million) and total contribution from the Company were HK\$80 million (2024: HK\$72 million). No contributions forfeited by employees leaving the scheme were utilised to offset contributions during the year (2024: HK\$nil). As at 31 December 2025, there were no forfeited contributions (2024: HK\$nil) available to reduce the contributions payable in future years.

(iv) KCRC MPF Scheme

The KCRC MPF Scheme is a defined contribution scheme covered under an MPF master trust registered with the MPFA. It covers those former KCRC employees who were previously members of the KCRC MPF Scheme and are eligible to join the MTR Provident Fund Scheme but opt to re-join the KCRC MPF Scheme. Both members and the Company each contribute to the KCRC MPF Scheme at the mandatory levels as required by the MPFSO.

As at 31 December 2025, the total number of employees participating in the KCRC MPF Scheme was 155 (2024: 189). In 2025, total members' contributions were HK\$3 million (2024: HK\$3 million) and total contribution from the Company were HK\$3 million (2024: HK\$3 million). No contributions forfeited by employees leaving the scheme were utilised to offset contributions during the year (2024: HK\$nil). As at the end of the reporting period, no forfeited contributions (2024: HK\$nil) available to reduce the contributions payable in future years.

B Retirement Schemes for Employees of Chinese Mainland and Overseas Offices of the Company and Subsidiaries

Employees not eligible for joining the retirement schemes operated by the Company in Hong Kong are covered by the retirement schemes established by their respective Chinese Mainland and overseas offices or subsidiary companies or in accordance with respective applicable labour regulations.

Certain employees of the Group's Australian subsidiary are entitled to receive retirement benefits from the Emergency Services Superannuation Scheme operated in Australia. The benefit amounts are calculated based on the member's years of service and final average salary. The Group does not recognise any defined benefit liability in respect of this scheme because the Group has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay contributions as they fall due. As at 31 December 2025, total number of the Group's employees participating in this scheme was 274 (2024: 311). In 2025, total members' contributions were HK\$13 million (2024: HK\$14 million) and total contribution from the Group was HK\$53 million (2024: HK\$58 million).

Certain employees of the Group's Swedish subsidiaries are entitled to receive retirement benefits from the ITP 2 Retirement Scheme operated in Sweden. The benefit amounts are calculated based on the member's years of service and annual salary. The Group does not recognise any defined benefit liability in respect of this scheme because the Group has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay contributions as they fall due. As at 31 December 2025, total number of the Group's employees participating in this scheme was nil (2024: nil). In 2025, total contribution from the Group was HK\$nil (2024: HK\$1 million).

46 Retirement Schemes *(continued)*

B Retirement Schemes for Employees of Chinese Mainland and Overseas Offices of the Company and Subsidiaries *(continued)*

Certain employees of the Group's MTR Crossrail subsidiary are entitled to join the MTR Corporation (Crossrail) section of the Railway Pension Scheme in the United Kingdom. The scheme is a shared cost arrangement whereby the Group is only responsible for a share of the cost. The benefit amounts are calculated based on the member's years of service and final average salary. The Group does not recognise any net defined benefit liability in respect of this scheme because the Group has no legal or constructive obligation for any deficit in the value of the scheme. Its only obligation is to pay contributions as they fall due. As at 31 December 2025, total number of the Group's employees participating in this scheme was nil (2024: 868). In 2025, total members' contributions were HK\$13 million (2024: HK\$33 million) and total contribution from the Group was HK\$20 million (2024: HK\$49 million). Pension expense of HK\$88 million (2024: HK\$74 million) was recognised in profit or loss and actuarial gain of HK\$25 million (2024: HK\$10 million) was recognised in the consolidated statement of other comprehensive income.

Except for the retirement schemes described above, all other retirement schemes to cover employees in overseas offices or in subsidiaries in Hong Kong, Chinese Mainland, Macao or overseas are defined contribution schemes. For Hong Kong employees, these schemes are registered under the MPFSO in Hong Kong. For Chinese Mainland, Macao or overseas employees, these schemes are operated in accordance with the respective local laws and regulations. As at 31 December 2025, the total number of employees of the Group participating in these schemes was 11,070 (2024: 14,221). In 2025, total members' contributions were HK\$115 million (2024: HK\$121 million) and total contribution from the Group was HK\$782 million (2024: HK\$788 million). During the years ended 31 December 2025 and 2024, the amount of contributions forfeited in accordance to the schemes' rules, if applicable, is not significant.

47 Defined Benefit Retirement Scheme

The Company makes contributions to and recognises defined benefit liabilities in respect of the MTR Retirement Scheme which provides employees with benefits upon retirement or termination of services for other reasons (note 46). This defined benefit scheme exposes the Group to actuarial risks, such as interest rate, salary increase and investment risks. The information about the MTR Retirement Scheme is summarised as below:

A Amounts Recognised in the Consolidated Statement of Financial Position

in HK\$ million	2025	2024
Present value of defined benefit obligations	(6,956)	(7,257)
Fair value of scheme assets	6,916	6,938
Net liabilities	(40)	(319)

The net liabilities are recognised under "Creditors, other payables and provisions" in the consolidated statement of financial position. A portion of the above obligations is expected to be paid after more than one year. However, it is not practicable to segregate this amount from the amounts to be paid in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Company expects to pay HK\$63 million in contribution to the MTR Retirement Scheme in 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Defined Benefit Retirement Scheme *(continued)*

B Scheme Assets

in HK\$ million	2025	2024
Equity securities		
– Financial institutions	100	151
– Non-financial institutions	2,059	1,954
	2,159	2,105
Bonds		
– Government	2,441	3,177
– Non-government	1,843	1,414
	4,284	4,591
Cash	697	458
	7,140	7,154
Voluntary units	(224)	(216)
	6,916	6,938

The scheme assets did not include any ordinary shares of the Company as at 31 December 2025 and 2024. Also, there were no investment in other shares and debt securities of the Company as at 31 December 2025 and 2024. All of the equity securities and bonds have quoted prices in active markets.

An asset-liability modelling review is performed periodically to analyse the strategic investment policies of the MTR Retirement Scheme. The investment portfolio targets a mix of 30% in equities, 65% in bonds and 5% in cash.

C Movements in the Present Value of the Defined Benefit Obligations

in HK\$ million	2025	2024
At 1 January	7,257	7,713
Remeasurements:		
– Actuarial losses arising from changes in liability experience	135	100
– Actuarial losses/(gains) arising from changes in financial assumptions	132	(89)
	267	11
Members' contributions paid to the scheme	46	49
Benefits paid by the scheme	(1,001)	(938)
Current service cost	145	161
Interest cost	242	261
At 31 December	6,956	7,257

The weighted average duration of the present value of the defined benefit obligations was 3.9 years as at 31 December 2025 (2024: 4.1 years).

47 Defined Benefit Retirement Scheme *(continued)*

D Movements in the Fair Value of Scheme Assets

in HK\$ million	2025	2024
At 1 January	6,938	7,316
Company's contributions paid to the scheme	220	95
Members' contributions paid to the scheme	46	49
Benefits paid by the scheme	(1,001)	(938)
Administrative expenses paid from scheme assets	(4)	(4)
Interest income	236	249
Return on scheme assets, excluding interest income	481	171
At 31 December	6,916	6,938

E Expenses Recognised in Profit or Loss and Other Comprehensive Income

in HK\$ million	2025	2024
Current service cost	145	161
Net interest on net defined benefit liability/asset	6	12
Administrative expenses paid from scheme assets	4	4
	155	177
Less: Amount capitalised	(42)	(48)
Net amount recognised in profit or loss	113	129
Actuarial losses	267	11
Return on scheme assets, excluding interest income	(481)	(171)
Amount recognised in other comprehensive income	(214)	(160)

The retirement scheme expense is recognised under staff costs and related expenses in the consolidated statement of profit or loss.

F Significant Actuarial Assumptions and Sensitivity Analysis

	2025	2024
Discount rate	2.89%	3.83%
Future salary increase	4.00%	4.50%
Unit value increase	4.75%	4.75%

The below analysis shows how the present value of the defined benefit obligations as at 31 December would have increased/(decreased) as a result of 0.25% change in the significant actuarial assumptions:

	2025		2024	
	Increase in 0.25% HK\$ million	Decrease in 0.25% HK\$ million	Increase in 0.25% HK\$ million	Decrease in 0.25% HK\$ million
Discount rate	(66)	68	(71)	73
Future salary increases	59	(57)	67	(65)
Unit value increase	9	(8)	6	(5)

The above sensitivity analysis is based on the assumption that changes in these actuarial assumptions are not inter-correlated and therefore the sensitivity estimated does not take into account the correlations between the actuarial assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Material Related Party Transactions

The Financial Secretary Incorporated, which holds approximately 74.45% of the Company's issued share capital on trust for the HKSAR Government as at 31 December 2025, is the majority shareholder of the Company. Transactions between the Group and the HKSAR Government departments or agencies, or entities controlled by the HKSAR Government, other than those transactions such as the payment of fees, taxes, leases and rates, etc. that arise in the normal dealings between the HKSAR Government and the Group, are considered to be related party transactions pursuant to HKAS 24, *Related Party Disclosures*, and are identified separately in these consolidated financial statements.

Major related party transactions entered into by the Group which are relevant for the current year include:

A On 30 June 2000, the Company was granted by the HKSAR Government a franchise, for an initial period of 50 years, to operate the then existing mass transit railway, and to operate and construct any extension to the railway. On the same day, the Company and the HKSAR Government entered into an operating agreement which laid down the detailed provisions for the design, construction, maintenance and operation of the railway under the franchise. With the Rail Merger, the operating agreement was replaced with effect from 2 December 2007 by a new operating agreement, details of which are set out in note 48C below.

B On 14 July 2000, the Company received a comfort letter from the HKSAR Government pursuant to which the HKSAR Government agreed to extend the period of certain of the Company's land interests so that they are coterminous with the Company's franchise period. To prepare for the Rail Merger, on 3 August 2007, the HKSAR Government wrote to KCRC confirming that, subject to all necessary approvals being obtained, the period of certain of KCRC's land interests (which are the subject of the service concession under the Rail Merger) will be extended so that they are coterminous with the concession period of the Rail Merger.

C In connection with the Rail Merger (note 3), on 9 August 2007, the Company and the HKSAR Government entered into a new operating agreement ("OA"), which is based on the then existing operating agreement referred to in note 48A above. On the Appointed Day, the Company's then existing franchise under the Mass Transit Railway Ordinance was expanded to cover railways other than the then existing MTR railway for an initial period of 50 years from the Appointed Day ("expanded franchise"). A detailed description of the OA is contained in the circular to shareholders in respect of the Extraordinary General Meeting convened to approve the Rail Merger. Such transaction is considered to be a related party transaction and also constitute continuing connected transaction as defined under the Listing Rules.

D Other than the OA described in note 48C above, the Company also entered into principal agreements with KCRC and the HKSAR Government in connection with the Rail Merger. These principal agreements are: (i) Merger Framework Agreement, (ii) Service Concession Agreement, (iii) West Rail Agency Agreement and (iv) Property Package Agreements. For the year ended 31 December 2025, amount recoverable or invoiced by the Company under West Rail Agency Agreement is HK\$36 million (2024: HK\$55 million) and the net amounts payable or paid by the Company in relation to the Service Concession is HK\$4,080 million (2024: HK\$3,775 million).

The above agreements are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of the agreements set out in notes 48C and 48D above is contained under the paragraph "Continuing Connected Transactions" in the Report of the Members of the Board.

E The Company entered into the following principal agreements with KCRC and the HKSAR Government in connection with the operation of the High Speed Rail:

(i) An amendment operating agreement, which was entered into with the HKSAR Government on 23 August 2018, to amend and supplement the OA, in order to prescribe the operational requirements that will apply to the High Speed Rail.

(ii) A supplemental service concession agreement, which was entered into with KCRC on 23 August 2018, to supplement the SCA, 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. During the year ended 31 December 2025, net revenue received or receivable from KCRC in respect of the High Speed Rail amounted to HK\$1,280 million (2024: HK\$1,602 million).

The above transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of each of the above agreements is contained under the paragraph "Continuing Connected Transactions" in the Report of the Members of the Board.

48 Material Related Party Transactions *(continued)*

F The Company entered into the following principal agreements with KCRC and the HKSAR Government in connection with the operation of the Shatin to Central Link (“SCL”):

- (i) An amendment operating agreement and a supplemental operating agreement, which were entered into with the HKSAR Government on 11 February 2020, to amend and supplement, respectively, the OA, in order to prescribe the operational requirements that will apply to the First Phase of the Tuen Ma Line.
- (ii) A supplemental service concession agreement no. 2, which was entered into with KCRC on 11 February 2020, to supplement the SCA, in order for KCRC to grant a concession to the Company in respect of the First Phase of the Tuen Ma Line and to prescribe the operational and financial requirements that will apply to the First Phase of the Tuen Ma Line.
- (iii) An amendment operating agreement, a supplemental operating agreement and the Amendment No.1 to Memorandum on Performance Requirements, which were entered into with the HKSAR Government on 21 June 2021, to amend and supplement, respectively, the OA, in order to prescribe the operational requirements that will apply to the Tuen Ma Line, being the first part of the SCL.
- (iv) A supplemental service concession agreement no. 3, which was entered into with KCRC on 21 June 2021 and superseded and replaced the supplemental service concession agreement no. 2 dated 11 February 2020 (note 48F(ii)), to supplement the SCA, in order for KCRC to grant a concession to the Company in respect of the Tuen Ma Line, being the first part of the SCL, and to prescribe the operational and financial requirements that will apply to the Tuen Ma Line.
- (v) An amendment operating agreement and a supplemental operating agreement, which were entered into with the HKSAR Government on 10 May 2022, to amend and supplement, respectively, the OA, in order to prescribe the operational requirements that will apply to the SCL as a whole.
- (vi) A supplemental service concession agreement no. 4, which was entered into with KCRC on 10 May 2022 and superseded and replaced the supplemental service concession agreement no. 3 dated 21 June 2021 (note 48F(iv)), to supplement the SCA, in order for KCRC to grant a concession to the Company in respect of SCL as a whole, and to prescribe the operational and financial requirements that will apply to the SCL as a whole.

During the year ended 31 December 2025, net revenue received or receivable from KCRC in respect of Shatin to Central Link under relevant supplemental service concession agreement amounted to HK\$706 million (2024: HK\$679 million).

The above transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of the agreements (i), (iii), (v) and (vi) above is contained under the paragraph “Continuing Connected Transactions” in the Report of the Members of the Board.

G The Company entered into entrustment agreements with the HKSAR Government for the design, site investigation, procurement activities, construction, testing and commissioning of HSR and SCL. Detailed description of the agreements are provided in notes 22A and 22B. In addition, an amount of HK\$494 million was paid/payable to the HKSAR Government (net of amount received/receivable) in 2025 (2024: HK\$794 million) under SCL EA3’s payment arrangement with the HKSAR Government and relevant contractors.

The above transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of each of the above agreements is contained under the paragraph “Continuing Connected Transactions” in the Report of the Members of the Board.

48 Material Related Party Transactions *(continued)*

H On 23 September 2022, (i) the Company accepted the HKSAR Government's Land Exchange Offer for development of the Company's existing Siu Ho Wan depot and (ii) the Company also entered into the project agreement with the HKSAR Government for the financing, design, construction, pre-operation, operation and maintenance of the Oyster Bay Station to cater for the transportation needs of the new community, together referred to as Oyster Bay Project. The Oyster Bay Project involves, inter alia, re-provision of the existing Siu Ho Wan depot and provision of property enabling works (including roof deck over the depot for top-side property development) to enable property development on the depot site, as well as the construction of a new station, Oyster Bay Station, to serve the future community.

The land exchange documents for the Oyster Bay Project was executed by both the Company and the HKSAR Government on 25 November 2022. When determining the land premium for the Land Exchange, costs in relation to the construction of the new Oyster Bay Station, re-provision of the depot, property enabling works (including roof deck over the depot for top-side property development) and site formation were accepted by the HKSAR Government as deductible costs and were deducted from the land premium assessment on a full market basis for the Land Exchange. The amount deducted was accounted for as government grant and was included in Creditors, Other Payables and Provisions (note 36B). The government grant is being used for offsetting against the respective capital expenditure in Other Property, Plant and Equipment (note 20B), Railway Construction in Progress (note 23) and Property Development in Progress (note 24).

I The Company entered into project agreements with the HKSAR Government for the financing, design, construction, completion, pre-operation, operation and maintenance of new railway extensions and the granting of development rights for commercial and residential property sites along these railway extensions. Pursuant to these project agreements, total amount of land premium payable by the Company in respect of these proposed property developments along these railway extensions shall be assessed by the Government as the full market value of the site (taking into account the presence of the railway) less the agreed reduction amounts for the purpose of bridging the funding gaps of these new railway extensions. These proposed property development sites will be developed in portions and the land premium assessment for each portion will be carried out, at the time of the relevant tender, with a specified tranche of the agreed reduction amount being deducted. The reduction amount deducted will be accounted for as government grant when the land grant offer is accepted and will be included in Creditors, Other Payables and Provisions (note 36B). The government grant will offset against the related capital expenditure in Railway Construction in Progress (note 23).

Project agreements on railway extensions entered during the year ended 31 December 2025 and 2024 include:

(i) Project agreement in respect of the Hung Shui Kiu Station, which was signed on 19 September 2024. Pursuant to the project agreement in respect of the proposed property development at new Hung Shui Kiu Station, total reduction amount of HK\$9,850 million would be deducted at the amount of land premium actually payable by the Company.

(ii) On 8 July 2025, the Company entered into the project agreement with the HKSAR Government for the financing, design and construction of the Northern Link Project – Part 1 (the "NOL (Part 1) Project Agreement") for the first part of the Northern Link ("NOL"). The NOL (Part 1) Project Agreement did not contain obligations for the Company to operate and maintain any part of the Northern Link Main Line (the "NOL Main Line") or the Northern Link Spur Line (the "NOL Spur Line"). It is intended that the Company and the HKSAR Government would enter into discussions on a further agreement (the "Further Agreement") to enable NOL as a whole to be delivered and commissioned. In the event that the Further Agreement is not entered into, the parties shall use reasonable endeavours to discuss and agree on the implementation of NOL Main Line including, but not limited to, necessary facilitation for giving to the HKSAR Government and the HKSAR Government's contractor(s) access to the Company's construction sites, works sites and works areas for carrying out works for the NOL Main Line so that the target of achieving commissioning of NOL Main Line not later than 2034 would not be jeopardised, and for the hand over of the design and construction of part of the NOL Main Line to the HKSAR Government.

The Northern Link Project – Part 1 is targeted to complete by the applicable scheduled completion dates so as to enable the commissioning of the NOL Main Line and NOL Spur Line not later than 2034. Total project cost for the Northern Link Project – Part 1 based on the defined scope of works and programme is estimated at HK\$38,866 million (excluding finance costs).

Pursuant to the NOL (Part 1) Project Agreement, total amount of land premium payable by the Company in respect of the proposed property development shall be assessed by the HKSAR Government as the full market value of the sites (taking into account the presence of the railway) less the total agreed reduction amount of HK\$39,050 million for the purpose of bridging the funding gap of the project works under the NOL (Part 1) Project Agreement. The proposed property development site will be developed on a site-by-site basis and the land premium assessment for each site will be carried out, at the time of the relevant tender, with a specified tranche of the agreed reduction amount being deducted.

Details of the NOL (Part 1) Project Agreement are disclosed in the Company's announcement dated 8 July 2025.

J In connection with the property developments along the railway systems, on 3 January 2025, the Company accepted an offer dated 22 November 2024 from the HKSAR 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 was 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 was payable by the Company. The transaction is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A description of the transaction is contained under the paragraph "Connected Transactions" in the Report of the Members of the Board. The reduction amount deducted was accounted for as government grant in the year ended 31 December 2025 and offset against the related capital expenditure in Railway Construction in Progress (note 23).

48 Material Related Party Transactions *(continued)*

K In connection with the property developments along the railway systems, on 18 November 2025, the Company accepted an offer dated 8 October 2025 from the HKSAR 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 the Tuen Mun South Extension, nil net land premium was payable by the Company. The transaction is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A description of the transaction is contained under the paragraph “Connected Transactions” in the Report of the Members of the Board. The reduction amount deducted has been accounted for as government grant in the year ending 31 December 2025 and will offset against the related capital expenditure in Railway Construction in Progress (note 23).

L On 18 May 2018, the Company, as sub-contractor, provided a sub-contractor warranty effective from 25 September 2017 to the AAHK as a result of the Company having entered into a subcontract (“Subcontract”) from a third party for the modification works of the existing Automated People Mover system at the Hong Kong International Airport (“System”) for an initial seven-year period, which was subsequently extended to mid-2026.

On 2 July 2020, the Company entered into a contract with the AAHK for the maintenance of the System for a seven-year period effective from 6 January 2021. In respect of the services provided, HK\$202 million was recognised as consultancy income during the year ended 31 December 2025 (2024: HK\$222 million).

The above transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules. A detailed description of each of the above agreements is contained under the paragraph “Continuing Connected Transactions” in the Report of the Members of the Board.

M On 2 April 2025, the Company entered into a Novation Agreement with Octopus Cards Limited (“OCL”) and Octopus Transactions Limited (“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. The aforesaid transaction is considered to be related party transaction and also constitute connected transaction as defined under the Listing Rules. A description of the transaction is contained under the paragraph “Connected Transactions” in the Report of the Members of the Board.

During the year ended 31 December 2025, the Group incurred HK\$143 million (2024: HK\$143 million) of expenses for the central clearing services provided by OCL and OTL. OCL incurred HK\$45 million (2024: HK\$49 million) of expenses for the load agent and Octopus card issuance and refund services, computer equipment and relating services as well as warehouse storage space provided by the Group. During the year, OHL declared HK\$347 million (2024: HK\$376 million) and distributed HK\$362 million (2024: HK\$399 million) of dividends to the Group.

N During the year ended 31 December 2025, Metro Trains Sydney Pty Ltd provided operations and maintenance services in respect of the Sydney Metro – M1 Metro North West and Bankstown Line to NRT Pty Ltd at a total amount of AUD4 million (HK\$19 million) (2024: AUD197 million (HK\$1,024 million)) and operations, maintenance and mobilisation services in respect of the Sydney Metro – M1 Metro North West and Bankstown Line to NRT CSW Unit Trust, an associate of the Group, at a total amount of AUD295 million (HK\$1,478 million) (2024: AUD108 million (HK\$558 million)). MTR Corporation (Sydney) SMCSW Pty Limited provided delivery of electrical and mechanical systems and rolling stock as well as integration of railway system services to NRT CSW Pty Ltd at a total amount of AUD175 million (HK\$879 million) (2024: AUD237 million (HK\$1,222 million)). During the year ended 31 December 2024, MTR Corporation (Sydney) NRT Pty Ltd, through its joint operation, provided services in respect of the design and delivery of electrical and mechanical systems and rolling stock to NRT Pty Ltd, an associate of the Group, at a total amount of AUD1 million (HK\$4 million).

O During the year ended 31 December 2025, Beijing MTR Corporation Limited declared and distributed RMB319 million (HK\$348 million) (2024: RMB200 million (HK\$216 million)) of dividends to the Group.

P Other than those stated in notes 48A to 48O, the Company has business transactions with the HKSAR Government, entities related to the HKSAR Government and the Company’s associates in the normal course of business operations. Details of the transactions and the amounts involved for the reporting period are disclosed in notes 33 and 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Material Related Party Transactions *(continued)*

Q The Group has paid remuneration to Members of the Board and the Executive Directorate. Details of these transactions are described in note 11A. In addition, Members of the Executive Directorate were granted award shares under the Executive Share Incentive Scheme. Details of the terms of these award shares are disclosed in note 11B and the Report of the Members of the Board. Their gross remuneration charged to the consolidated statement of profit or loss is summarised as follows:

in HK\$ million	2025	2024
Short-term employee benefits	115.2	104.5
Post-employment benefits	7.9	7.5
Share-based payments	23.4	26.9
	146.5	138.9

The above remuneration is included in staff costs and related expenses disclosed in note 10A.

R During the year, the following dividends were paid to the FSI of the HKSAR Government:

in HK\$ million	2025	2024
Ordinary dividends		
– Cash dividends paid	6,071	6,071

49 Commitments, Contingent Liabilities and Legal Proceedings

A Capital Commitments

(i) Outstanding capital commitments as at 31 December not provided for in the consolidated financial statements were as follows:

in HK\$ million	Hong Kong transport operations, station commercial and other businesses	Hong Kong railway extension projects (note)	Hong Kong property rental and development	Chinese Mainland and overseas operations	Total
At 31 December 2025					
Authorised but not yet contracted for	32,943	30,064	3,957	224	67,188
Authorised and contracted for	18,861	17,849	7,180	1,023	44,913
	51,804	47,913	11,137	1,247	112,101
At 31 December 2024					
Authorised but not yet contracted for	31,738	34,862	3,431	182	70,213
Authorised and contracted for	22,582	21,716	9,935	1,863	56,096
	54,320	56,578	13,366	2,045	126,309

Note: As at 31 December 2025, capital commitments of Hong Kong railway extension projects included costs of HK\$48 billion in respect of which the project agreements have been signed and the Group is obligated to operate the related railway. These costs are approved by the Board of Directors but yet to be incurred as at 31 December 2025. The costs concerned are dealt with in accordance with the accounting policy set out in note 21.

49 Commitments, Contingent Liabilities and Legal Proceedings *(continued)*

A Capital Commitments *(continued)*

(ii) The capital commitments not provided for in the consolidated financial statements under Hong Kong transport operations, station commercial and other businesses comprise the following:

in HK\$ million	Improvement, enhancement and replacement works	Acquisition of property, plant and equipment	Additional concession property	Total
At 31 December 2025				
Authorised but not yet contracted for	23,017	3,036	6,890	32,943
Authorised and contracted for	14,678	1,851	2,332	18,861
	37,695	4,887	9,222	51,804
At 31 December 2024				
Authorised but not yet contracted for	22,560	3,440	5,738	31,738
Authorised and contracted for	18,718	1,878	1,986	22,582
	41,278	5,318	7,724	54,320

B Liabilities and Commitments in respect of Property Management Contracts

The Company and certain subsidiaries, namely Hanford Garden Property Management Company Limited, Royal Ascot Management Company Limited and Sun Tuen Mun Centre Management Company Limited, are holders of Property Management Company Licence (licence number: C-114608, C-515001, C-363023 and C-931638 respectively). Over the years, the Group has jointly developed with third party property developers certain properties above or adjacent to railway depots and stations. Under most of the development agreements, the Group retained the right to manage these properties after their completion. The Group, as manager of these properties, enters into service contracts with third party contractors for the provision of security, cleaning, maintenance and other services on behalf of the managed properties. The Group is primarily responsible for these contracts, but any contract costs incurred will be reimbursed by the owners and tenants of the managed properties from the management funds as soon as they are paid.

As at 31 December 2025, the Group had total outstanding liabilities and contractual commitments of HK\$4,754 million (2024: HK\$4,497 million) in respect of these works and services. Cash funds totalling HK\$4,424 million (2024: HK\$4,123 million) obtained through monthly payments of management service charges from the managed properties are held by the Group on behalf of those properties for settlement of works and services provided.

C Service Concession in respect of the Rail Merger and Operating Arrangements for HSR and SCL

Pursuant to the Rail Merger and Operating Arrangements for HSR and SCL, the Company is obliged under the SCA to pay an annual fixed payment of HK\$750 million to KCRC over the period of the service concession and recognised as obligations under service concession in the statement of financial position. Additionally, commencing after three years from the Appointed Day, the Company is obliged to pay a variable annual payment to KCRC based on the revenue generated from the KCRC system (including HSR & SCL) above certain thresholds. Furthermore, under the SCA, SCSA-HSR and SCSA3-SCL, the Company is obliged to maintain, repair, replace and/or upgrade the KCRC system over the periods of the service concession which is to be returned at the expiry of the service concession.

D Material Financial and Performance Guarantees

(i) In respect of the lease out/lease back transaction ("Lease Transaction") (note 20E), the Group has provided standby letters of credit ("standby LC's") to the Investors to cover additional amounts payable by the Group in the event the transactions are terminated prior to the expiry of the lease terms, and such standby LC's amounted to US\$50 million (HK\$388 million) as at 31 December 2025.

(ii) In respect of the debt securities issued by MTR Corporation (C.I.) Limited (note 35C), the Company has provided guarantees to the investors of approximately HK\$14,863 million (in notional amount) as at 31 December 2025. The proceeds from the debts issued are on lent to the Company. As such, the primary liabilities have been recorded in the Company's statement of financial position.

(iii) In respect of the Melbourne's Metropolitan Rail Services Franchise, the Group has provided to the Public Transport Victoria a parent company guarantee of AUD183 million (HK\$952 million) and a performance bond of AUD68 million (HK\$356 million) on joint and several basis with other shareholders for Metro Trains Melbourne Pty. Ltd.'s performance and other obligations under the franchise agreement. In respect of the lease of the office premises, MTM has provided bank guarantees of AUD6 million (HK\$31 million) as at 31 December 2025 for the monthly rental payments to the landlords.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49 Commitments, Contingent Liabilities and Legal Proceedings *(continued)*

D Material Financial and Performance Guarantees *(continued)*

- (iv) In respect of the Sydney Metro - M1 Metro North West and Bankstown Line Franchise, the Group has provided to NRT Pty Ltd a parent company guarantee with a liability cap of AUD1,526 million (HK\$7,945 million) for the design and construction contract (the cap being subject to the usual exclusions of losses arising from wilful misconduct, fraudulent and criminal actions and, in addition, losses arising from abandonment of the contracts). The Group has also provided a performance bond of AUD18 million (HK\$93 million) for the performance and other obligations under the design and construction sub-contract.
- (v) In respect of the design, delivery and integration of the Sydney Metro City & Southwest, the Group has provided to NRT CSW Pty Ltd a parent company guarantee with a liability cap of AUD602 million (HK\$3,134 million) (the cap being subject to the usual exclusions of losses arising from wilful misconduct, fraudulent and criminal actions and, in addition, losses arising from abandonment of the contracts) and performance bonds of AUD51 million (HK\$265 million) for integrator works under the integrator contract. The Group has also provided a parent company guarantee with a liability cap of AUD397 million (HK\$2,067 million) and a bank guarantee with a liability cap of AUD51 million (HK\$266 million) for the operation and maintenance of the Sydney Metro M1 Metro North West and Bankstown Line. The Group has also provided a parent company guarantee to Metro Trains Sydney Pty Ltd with a liability cap of AUD221 million (HK\$1,151 million) and a parent company guarantee to MTR Corporation (Sydney) SMCSW Pty Limited with a liability cap of AUD221 million (HK\$1,151 million) for the interface works under Sydney Metro - M1 Metro North West and Bankstown Line and Sydney Metro City & Southwest (Design and Delivery).
- (vi) In respect of the Stockholm Metro Franchise, the Group has provided to the Stockholm transport authority a guarantee of SEK1,000 million (HK\$845 million) as at 31 December 2025, which can be called if MTR Tunnelbanan AB, the wholly owned subsidiary of the Group to undertake the franchise, is in default of the agreement.
- (vii) In respect of the investment in Hangzhou West Station property development project, the Group has provided a financial guarantee of RMB406 million (HK\$452 million) to the banks participating in the syndication loan for the repayment of interest and/or loan principal by the consortium.
- (viii) In respect of the Hangzhou Metro Line 1 and Hangzhou Metro Line 5 concessions, the Group is required to provide handover bank bonds to the Hangzhou Municipal Government before the end of the concessions for a period of three years to cover any non-compliance of handover requirements under the concession agreements.
- (ix) In respect of the SZL4 concession, the Group has provided to the Shenzhen Municipal Government a parent company guarantee in respect of MTR Corporation (Shenzhen) Limited's performance and other obligations under the concession agreement, which can be called if the performance and other obligations are not met.
- (x) In respect of the Shenzhen Metro Line 13 concession, the Group is required to provide handover bank bonds to the Shenzhen Municipal Government before the end of the concessions for a period of three years to cover any non-compliance of handover requirements under the concession agreements.

49 Commitments, Contingent Liabilities and Legal Proceedings *(continued)*

D Material Financial and Performance Guarantees *(continued)*

(xi) In respect of the London Elizabeth Line Franchise in London, the Group has provided to the Rail for London Limited a parent company guarantee of GBP80 million (HK\$838 million) and a performance bond of GBP25 million (HK\$262 million) for MTR Corporation (Crossrail) Limited's performance and other obligations under the franchise agreement. The Group has also provided liability caps totalling GBP7 million (HK\$75 million) and a performance bond of GBP1 million (HK\$10 million) as at 31 December 2025 for minor infrastructure improvement works under London Rail Infrastructure Improvement Framework.

(xii) In respect of the South Western Trains Franchise, the Group has provided to the Secretary of State for Transport a parent company guarantee of GBP2 million (HK\$19 million) and an early termination indemnity of GBP2 million (HK\$19 million) as at 31 December 2025 for the performance and other obligations under the National Rail Contract. The Group has provided a funding deed bond of GBP1 million (HK\$9 million) and an early termination indemnity agreement bond of GBP1 million (HK\$9 million) as at 31 December 2025 for aforementioned obligations.

Save as disclosed elsewhere in the consolidated financial statements, no other provision was recognised in respect of the above financial and performance guarantees and contingent liabilities as at 31 December 2025.

E Contingent Liabilities and Legal Proceedings

The Company has not received notification of any legal or arbitration proceedings in relation to the construction of either the HSR Project or the SCL Project. The potential for future proceedings in relation to the construction of: (i) the HSR Project are set out in note 22A; and (ii) the SCL Project are set out in note 22B.

As discussed in note 16B, the Company has objected to the notices of profits tax assessments/additional profits tax assessments for years of assessment from 2009/2010 to 2018/2019 which disallowed deduction of certain payments relating to the Rail Merger.

A collective action was launched against several train operators in the United Kingdom, including First MTR South Western Trains Limited, an associate of the Group. The action alleged that the train operators breached the competition law by abusing their dominant positions. Specifically, the plaintiff claimed that the operators failed to make sufficiently available a specific type of tickets offering "boundary fares" to Travelcard holders, resulting in double-charging the affected passengers for part of their journeys. In October 2025, the Competition Appeal Tribunal issued a judgement in favour of the train operators and dismissed the plaintiff's claim. The plaintiff did not file any appeal within the statutory appeal period.

Other than the above, whilst the Company may be involved in legal proceedings in the ordinary course of business from time to time, neither the Company nor any of its Directors were involved in any litigation, arbitration or administrative proceedings, which in a material way impact on the Company's business, financial condition or operations. As of the date of this annual report, the Company is not aware of any pending or threatened litigation, arbitration or administrative proceedings against the Company or its Directors, which would have a material and adverse impact on the Company's business, financial condition, or operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Company-level Statement of Financial Position

in HK\$ million	At 31 December 2025	At 31 December 2024
Assets		
Fixed assets		
– Investment properties	90,115	93,080
– Other property, plant and equipment	109,243	105,789
– Service concession assets	33,537	32,352
	232,895	231,221
Property management rights	7	9
Railway construction in progress	17,879	11,375
Property development in progress	43,054	42,300
Deferred expenditure	138	64
Investments in subsidiaries	2,965	2,797
Interests in associates	410	410
Investments in securities	6,071	1,000
Properties held for sale	2,856	2,410
Derivative financial assets	1,691	342
Stores and spares	2,259	1,835
Debtors and other receivables	11,097	12,411
Amounts due from related parties	20,762	21,131
Cash, bank balances and deposits	37,257	20,841
	379,341	348,146
Liabilities		
Short-term loans	–	800
Creditors, other payables and provisions	52,121	60,686
Current taxation	1,690	2,785
Amounts due to related parties	42,420	18,955
Loans and other obligations	69,982	58,596
Obligations under service concession	9,729	9,817
Derivative financial liabilities	2,401	2,014
Deferred tax liabilities	16,670	15,978
	195,013	169,631
	184,328	178,515
Net assets		
Capital and reserves		
Share capital	61,287	61,287
Shares held for Executive Share Incentive Scheme	(298)	(299)
Other reserves	123,339	117,527
Total equity	184,328	178,515

Approved and authorised for issue by the Members of the Board on 12 March 2026

Jacob C P Kam
Chairman

Jeny M C Yeung
Chief Executive Officer

Michael G Fitzgerald
Finance Director

51 Accounting Estimates and Judgements

A Key sources of accounting estimates and estimation uncertainty include the following:

(i) Estimated Useful Life and Depreciation and Amortisation of Property, Plant and Equipment and Service Concession Assets

The Group estimates the useful lives of the various categories of property, plant and equipment and service concession assets on the basis of their design lives, planned asset maintenance programme and actual usage experience. Depreciation and amortisation are calculated using the straight-line method at rates sufficient to write off their cost or valuation over their estimated useful lives (note 2H).

(ii) Impairment of Long-lived Assets

The Group reviews its long-lived assets for indications of impairment at the end of each reporting period according to accounting policies set out in note 2G(ii). Long-lived assets (including service concession assets of SZL4 (note 21B)) are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset is the greater of the fair value less costs of disposal and value in use. In estimating the value in use, the Group uses projections of future cash flows from the assets and the management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(iii) Pension Costs

The Group employs independent valuation professionals to conduct annual assessment of the actuarial position of the MTR Retirement Scheme. The determination of the Group's obligation and expense for the defined benefit element of the scheme is dependent on certain assumptions and factors provided by the Group, which are disclosed in notes 46A(i) and 47F.

(iv) Profit Recognition on Hong Kong Property Development

Recognition of profits from Hong Kong property development (including fair value measurement of investment properties on initial recognition) requires management's estimation of the final project costs upon completion, assessment of outstanding transactions and market values of unsold units and, in the case of sharing-in-kind properties, the properties' fair value upon recognition. The Group takes into account independent qualified surveyors' reports, past experience on sales and marketing costs when estimating final project costs on completion and makes reference to professionally qualified valuers' reports in determining the estimated fair value of sharing-in-kind properties.

(v) Properties Held for Sale

The Group values unsold interests in properties at the lower of their costs and net realisable values (note 29) at the end of each reporting period. In ascertaining the properties' net realisable values, which are represented by the estimated selling prices less costs to be incurred in relation to the sales, the Group engages independent qualified surveyors to assess the properties' estimated selling prices and makes estimations on further selling and property holding costs to be incurred based on past experience and with reference to general market practice.

(vi) Valuation of Investment Properties

The valuation of investment properties requires management's input of various assumptions and factors relevant to the valuation. The Group conducts semi-annual fair value measurement of its investment properties by independent qualified surveyors based on these assumptions agreed with the valuers prior to adoption.

(vii) Franchise in Hong Kong

The current franchise under which the Group is operating in Hong Kong allows the Group to run the mass transit railway system in Hong Kong until 1 December 2057, except for HSR and SCL which the concession periods are detailed in note 3. Pursuant to the terms of the OA and the MTR Ordinance, the Company may apply for extensions of the franchise and the Secretary for Transport and Logistics shall, subject to certain provisions, recommend to the Chief Executive in Council that the franchise should be extended for a further period of 50 years (from a date relating to certain capital expenditure requirements) if the Company has satisfied such capital expenditure requirements, at no additional payment for any such extension. If the franchise is not extended, it will expire on 1 December 2057. Following such expiry, the HKSAR Government has the right to take possession of railway property (and, where the HKSAR Government has taken possession of any such property which is not concession property, the Company may require the HKSAR Government to take possession of any other property which the HKSAR Government was entitled to take possession of, but did not take possession of), but must compensate the Company: (i) in the case of such property which is not concession property, at the higher of fair value and depreciated book value, and (ii) in the case of such property which is concession property and to the extent that the capital expenditure exceeds an agreed threshold ("Capex Threshold"), in an amount equal to any above-threshold expenditure at the end of the Concession Period with such reimbursement to be on the basis of depreciated book value. The Group's depreciation policies (note 2H) for such property which is not concession property with assets' lives which extend beyond 2057 reflect the above.

(viii) Income Tax

Certain treatments adopted by the Group in its Hong Kong Profits Tax returns in the past years are yet to be finalised with the Hong Kong Inland Revenue Department. In assessing the Group's income tax and deferred taxation in the consolidated financial statements, the Company has predominantly followed the tax treatments it has adopted in these tax returns, which may be different from the final outcome in due course.

As detailed in note 16B, there are tax queries from the IRD with the Company on tax deductibility of the Sums for which the ultimate tax determination is uncertain up to the date of this financial statements. The Group recognises tax provision for these tax matters based on estimates of whether additional taxes will eventually be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax expenses in the period when such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51 Accounting Estimates and Judgements *(continued)*

A Key sources of accounting estimates and estimation uncertainty include the following *(continued)*:

(ix) Project Provisions

The Group establishes project provisions for the settlement of estimated claims that may arise due to time delays, additional costs or other unforeseen circumstances common to major construction contracts. The claims provisions are estimated based on an assessment of the Group's liabilities under each contract by professionally qualified personnel, which may differ from the actual claims settlement.

(x) Fair Value of Derivatives and Other Financial Instruments

In determining the fair value of financial instruments, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market condition, business nature, stage of development, business and financial performance of the investees as well as the availability of information and recent financing at the end of each reporting period. The fair value measurements are disclosed in note 44B.

(xi) Obligations under Service Concession

In determining the present value of the obligations under service concession, the discount rate adopted was the relevant Group company's estimated long-term incremental cost of borrowing at inception after due consideration of the relevant Group company's existing fixed rate borrowing cost, future interest rate and inflation trends.

B Critical accounting judgements in applying the Group's accounting policies include the following:

(i) Provisions and Contingent Liabilities

The Group recognises provisions when the Group has a legal or constructive obligation arising as a result of a past event (including in relation to those under entrustment arrangements (note 22)), and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability. Other than as set out in notes 22 and 49E, as at 31 December 2025, the Group considered that it had no disclosable contingent liabilities as there were neither pending litigations nor events with potential obligation which were probable to result in material outflow of economic benefits from the Group.

52 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2025

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments</i> : <i>Disclosures: Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments</i> : <i>Disclosures: Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRSs – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: Disclosures</i>	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far, the Group considers that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements, except for HKFRS 18, where the structure of the Group's consolidated statement of profit or loss is expected to change.

53 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board on 12 March 2026.