

CHAIRMAN'S LETTER



Dear Shareholders and other Stakeholders,

For over four decades, MTR has been fulfilling its purpose to “keep cities moving”. Never has this mission been tested more than in the past two years. From the public order events of 2019 to the COVID-19 outbreak in 2020, these have been extraordinarily trying times for a company dedicated to keeping communities connected.

Around the world, the pandemic brought commerce to a halt, closed schools and forced employees to stay at home. In Hong Kong, train patronage fell sharply, foot traffic at our malls and station retail areas decreased, and tenants sought rental relief from the economic downturn, impacting our revenue across multiple business channels.

Through it all, we did our best to ensure safe, reliable, hygienic and affordable transport for our communities. We ensured the health and safety of our staff by providing them with appropriate personal protective equipment. We intensified the cleaning of our trains and railway facilities and employed innovative sanitisation technologies to safeguard public health. We adjusted service frequency to match Government’s objectives in fighting the pandemic. We offered rebates to passengers and rental concessions to retail tenants to help them weather the downturn.

Indeed, corporate responsibility and strong corporate governance principles guided our actions throughout 2020 more prominently than ever, and our stakeholders can expect a robust environmental, social and governance (“ESG”) regime to play an even bigger role in the Company moving forward. This is evident in our new Corporate Strategy, which the Board approved in June 2020 to set out the direction of our future development.

Despite the difficulties faced during the year, MTR was still able to make progress on a number of important projects. Works on the Shatin to Central Link continued. We awarded the design consultancies for two new projects under Government’s Railway Development Strategy 2014. Residential unit pre-sales in Hong Kong progressed well, and our investment property portfolio continued to expand.

None of this would have been possible without the contributions of our exceptional staff. I offer them my most sincere thanks for their hard work and professionalism, which have kept MTR and Hong Kong moving despite great challenges.

CORPORATE STRATEGY

Near-term challenges have not dampened our spirit to plan for the future success of MTR and all of the cities we serve. Our new Corporate Strategy, “Transforming the Future”, charts a future path marked by business and ESG targets that will contribute to the long-term sustainability of the Company and the communities it serves. It also defines a more fit-for-future structure with a strengthened Hong Kong core, expanded Mainland of China and international outreach, and new growth engines to explore – our three strategic pillars for success.

We aim to become an internationally recognised company that connects and grows communities with caring, innovative and sustainable services. By working together on our Corporate Strategy, I am confident that we will be able to build an even more effective, efficient and agile organisation that can tackle the challenges of tomorrow and help us create a better future. In managing our business sustainably and in accordance with world-class principles of governance, I also believe we can help individuals and communities thrive while contributing to the fight against climate change.

BUSINESS PERFORMANCE AND GROWTH

In 2020, MTR was able to advance a number of railway and property projects that will contribute to Hong Kong’s transport infrastructure and the Company’s future business growth.

The year saw the successful opening of the Tuen Ma Line Phase 1 with new stations. We have been invited by Government to proceed with the detailed planning and design for the Tung Chung Line Extension, Tuen Mun South Extension (which will become the Tuen Ma Line Extension in the future), and Kwu Tung Station and the Northern Link. We awarded design consultancies for the first two extensions and have commenced procurement of the design consultancy for the third project. We are also making progress in planning future property development at the Siu Ho Wan Depot site. In addition to advancing these four new projects, we submitted proposals to Government for Hung Shui Kiu Station and the South Island Line (West) project.

As a global leader in railway transport, MTR is committed to strong corporate governance and upholding the highest standards of operational excellence. Regarding the Hung Hom Extension of the Shatin to Central Link project, we have been working diligently to implement the recommendations made in the Final Report of the Commission of Inquiry, which concluded that the structures are safe and fit for purpose with the suitable measures in place. These actions have now been completed. In the recent report issued by the Government-appointed Expert Advisor Team, it also concluded that it is safe in practical terms to use the related built structures at Hung Hom Station for their intended purposes after the implementation of suitable measures. Following the results of the investigation into the derailment near Hung Hom Station that were made public in March 2020, we implemented immediate measures to address the situation and prevent similar incidents from happening in future. In September 2020, we launched a detailed internal investigation into the postponement of the commissioning of the new signalling system and new trains on the East Rail Line and implemented remedial measures after carrying out the review. The new signalling system and new trains on the East Rail Line were launched on 6 February 2021. Moving forward, MTR will continuously review its practices to ensure world-class design, construction and operations for new projects and asset replacement works alike. We are also seeking to improve our risk management processes by implementing a “three lines of defence” framework. This model strengthens the depth of a company’s risk management response by retaining strong accountability at the business unit level while enhancing assurance at the Executive and Board levels.

For our existing lines, we continued to enhance our facilities and services to keep delivering a world-class customer experience. New technology and smart mobility initiatives like QR code ticketing and our MTR Mobile – an app with features including train service information, journey planning and ticketing functions as well as shopping and lifestyle offers – make commuting better than ever by improving convenience and enriching the customer experience. We have been expanding our Wi-Fi coverage and mobile charging facilities in stations to keep passengers connected while in transit. We are adding lift button sensors, drinking water dispensers, public toilets and baby care rooms to improve passenger comfort. Ultimately, we strive to design journeys around the needs of each individual and ensure that our railway system is inclusive for all, from an age-friendly policy that caters to

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senior citizens to ensuring accessibility for the disabled. For example, new and refurbished seats throughout our network give our customers more places to rest.

In August, we were delighted to open The LOHAS shopping mall, which expands our Hong Kong portfolio of quality retail destinations adjacent to convenient railway transport links. We awarded the property development tenders for LOHAS Park Package 12 and Package 13 in 2020 and The Southside (also known as the Wong Chuk Hang Station Property Development) Package 5 in January 2021. We continued to diversify our revenue streams internationally, including in the Greater Bay Area and elsewhere in the Mainland of China. In August 2020, the Shenzhen Municipal Government awarded the consortium led by our wholly owned subsidiary the tender for Shenzhen Metro Line 13, a public-private partnership project that will boost our passenger numbers in a growing market. During the year we opened additional lines across the Mainland of China, including the Shenzhen Metro Line 4 North Extension, full line operation of Hangzhou Metro Line 5, Hangzhou Metro Line 1 Phase 3 (Airport Extension) and the Middle Section of Beijing Metro Line 16. In Sweden, our subsidiary was awarded the operations and maintenance concession for the Mälartåg train service, which we expect to take over from December 2021.

FINANCIAL PERFORMANCE

As announced on 19 January 2021, COVID-19 caused a substantial decrease in patronage and reduced revenue for our station commercial and property rental businesses in 2020. As a result, the loss arising from our recurrent businesses was HK\$1,126 million. Together with the profit from our property development businesses, which decreased by 1.3% to HK\$5,507 million, profit arising from our underlying businesses was HK\$4,381 million, 58.5% lower than the previous year. Including the loss arising from the revaluation of our investment property portfolio, the net loss attributable to shareholders of the Company in 2020 was HK\$4,809 million, equating to a loss per share of HK\$0.78. Notwithstanding the challenging economic conditions, your Board has proposed a final ordinary dividend of HK\$0.98 per share, which, together with the interim dividend of HK\$0.25 per share, will bring the full-year dividend to HK\$1.23 per share, same as that of 2019. The Board of Directors of the Company will continue to monitor the Group's financial performance and position as well as future capital requirements, but it currently proposes maintaining the Company's progressive ordinary dividend policy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG creates shared value for our stakeholders and supports the symbiotic relationship between the Company and the people and communities it serves. In accordance with our Corporate Strategy, we are striving to embed into our business and operations three primary ESG goals: social inclusion, reducing greenhouse gas emissions, and promoting advancement and opportunity. We support social inclusion by, among other things, ensuring that all individuals – regardless of age, ability or socioeconomic status – can avail themselves of our services. We combat climate change and aim for a carbon-neutral future by reducing greenhouse gas emissions across our operations. We are also committed to creating opportunities for our staff, supply chain and communities as we continue to grow and expand our network.

Environmental Aspects

In August 2020, MTR issued a Green Bond under its new Sustainable Finance Framework to further support the Company's sustainable development. The US\$1.2 billion 10-year bond was issued to fund projects that conserve energy, protect the environment, and enhance and expand low-carbon railway services. It was the largest single tranche green bond for corporates in Asia Pacific. The bond won Hong Kong's "Best Green Bond" Award and, being at the forefront of raising sustainable financing, the Company was also named the "Best Issuer for Sustainable Finance" in Hong Kong in The Asset Triple A Country Awards 2020.

To help conserve our planet's natural resources, we continued to reduce electricity consumption across all our businesses. We also supported the development of renewable energy in Hong Kong through the installation of a 93.24 kW solar energy system at our headquarters to start with. Actions like these will help Hong Kong achieve its target of becoming carbon neutral in the future.

Social Aspects

As an integral part of the wider Hong Kong community, MTR gives back through charitable and social programmes designed to nurture future generations and help those in need. In the face of COVID-19, we launched special economic relief measures including fare rebates for passengers and rental concessions for mall and station tenants. Our Board and Executive Directorate donated HK\$4.3 million of their remuneration to NGOs and charity organisations to help communities during the pandemic. We donated 100,000 surgical masks at a time when supply was tight, and we also set up vending machines at 20 stations where members of the public

could conveniently pick up COVID-19 specimen collection packs. Since March 2020, we have been providing free Airport Express tickets through the Hospital Authority to healthcare workers who need to travel between AsiaWorld-Expo Station and the urban area. Over 16,900 tickets had been provided as at the end of January 2021. We also donated 200 tablet devices to underprivileged children to facilitate their online learning.

Online hosting helped us carry out our social outreach efforts safely. These included our “Train’ for Life’s Journeys” career- and life-coaching programmes; “Summer Online Railway Workshops”, which introduced railways to children on summer break through fun activities; and “Christmas Delight” workshops, which featured Christmas carol performances in sign language and DIY musical instrument upcycling classes to promote social inclusion and green practices. MTR also hosted talks at senior centres and launched its annual elderly programme with RTHK to promote railway safety to seniors across the territory.

In 2020, we were once again privileged to promote artistic talent and art appreciation among the public. We installed new artworks in Wan Chai, Tiu Keng Leng and Tuen Ma Line Phase 1 stations and organised exhibitions at Sheung Wan, Sai Wan Ho and Central stations. One highlight was a memorial exhibition for legendary singer Teresa Teng, which received an enthusiastic response from the community.

Through our “More Time Reaching Community” Scheme, we encourage our staff to initiate and participate in volunteer activities that serve the community. In 2020, despite the prolonged COVID-19 pandemic, 64 volunteering projects were organised involving a total of 6,344 volunteer hours of service, including those offering timely support to help underprivileged families ride out the difficulties.

Our ESG efforts were recognised with “Outstanding Corporation” awards in the “Social Sustainability” and “Environmental Sustainability” categories of Metro Finance’s Greater Bay Area Corporate Sustainability Awards 2020. We were awarded the “15 Years Plus Caring Company Logo” by the Hong Kong Council of Social Service in recognition of our care for the community, the environment and our staff. The commitment of our staff in contributing to the community was also reflected in their donations to a variety of charitable causes. We received the “Diamond Award”, “4th Top Fund-raiser Award” and “3rd Highest Donation Award for CARE Scheme” in The Community Chest’s 2019/2020 Corporate and Employee Contribution Programme. We were also named the

“Grand Winner – COVID-19 Special Award (Corporate)” and received other awards in the HR Appreciation Awards 2020 organised by Classified Post.

Governance

Achieving the goals set out in our Corporate Strategy requires having a strong governance framework in place that safeguards the best interests of MTR, its shareholders and stakeholders. We regularly review our businesses to ensure we are operating according to the highest standards of corporate governance and best practices in areas such as functioning of the Board and Enterprise Risk Management.

ACKNOWLEDGEMENTS AND APPRECIATION

We greatly value the counsel of those with the wisdom to help us navigate calm and rough waters alike. I am grateful to my fellow members of the Board for their support in these challenging times.

I would like to thank once again Dr Allan Wong Chi-yun, who retired from the Board as an Independent Non-executive Director on 20 May 2020, Mr James Henry Lau Jr, who resigned as a Non-executive Director with effect from 1 June 2020, and Ms Mable Chan, who ceased to be a Non-executive Director with effect from 1 August 2020. I would also like to welcome once more Dr Bunny Chan Chung-bun, who was appointed as an Independent Non-executive Director of the Board effective 20 May 2020, and Mr Christopher Hui Ching-yu, the newly appointed Secretary for Financial Services and the Treasury, who was appointed as a Non-executive Director effective 1 June 2020. Finally, I would like to welcome Miss Rosanna Law Shuk-pui, the newly appointed Commissioner for Transport, who was appointed as a Non-executive Director with effect from 9 September 2020.

Many of the challenges of 2020 remain, but I truly believe that by working together, we can keep Hong Kong and all the cities we serve moving, ushering them into a future full of hope and prosperity once again. Our talented people have a strong commitment to the city they call home, and I feel exceptionally proud to be part of the MTR family.



Rex Auyeung Pak-kuen
Chairman
Hong Kong, 11 March 2021