

MAINLAND OF CHINA AND INTERNATIONAL BUSINESSES



11 Railway
Services in
4 Countries

2,183km
Operating Route Length
Outside of Hong Kong

1.38 billion
Total Patronage
Outside of Hong Kong

AIM

Representing one of the three core pillars under our Corporate Strategy, our Mainland of China and International Businesses enable us to grow and connect communities in markets beyond Hong Kong as we strive to become a leading multinational provider of railway services, delivering world-class operations in geographies as diverse as the Mainland of China, Europe and Australia.

CHALLENGES

- COVID-19 has led to reduced patronage and services due to stay-at-home policies and lockdown protocols
- Competition is increasing in the Mainland and international passenger rail markets as more rail operators look outside their home markets
- Railway operators must adjust to different operating and investment models to participate in the Mainland of China and overseas markets

- Operators must also continuously enhance their services and facilities in order to meet rising customer satisfaction standards

STRATEGIES

- Continue delivering operational excellence to fulfil and renew existing contracts and win new ones, capturing both construction and O&M opportunities
- Expand business in the Mainland of China by continuing to explore transit-oriented development (“TOD”) opportunities and further participate in the development of the Greater Bay Area
- Explore “Rail Plus Property” development opportunities in Europe and Australia
- Further diversify revenue streams via asset replacement, maintenance and public-private partnership (“PPP”) infrastructure development opportunities in selective markets

OUTLOOK

COVID-19 will continue affecting our Mainland of China and International Business for some time as the world struggles to get the pandemic under control and re-establish business and travel as usual. Therefore, we can expect passenger demand and revenue to fluctuate to varying degrees in 2021 depending on the business models of different business contracts. In the meantime, we must keep adapting our operations in different markets to continue delivering world-class railway services for our overseas customers.

Hangzhou Metro Line 1 Phase 3 (Airport Extension), the full Hangzhou Metro Line 5, Middle Section of Beijing Metro Line 16 and Shenzhen Metro Line 4 North Extension all opened at various points throughout 2020. These lines and their related businesses should all begin making financial contributions moving forward.

Over the coming months and years, we will strive to expand our presence in the Mainland of China market and continue taking an active role in the development of the Greater Bay Area. We will also be seeking new opportunities across Europe and Australia. This will be done via three primary approaches: delivering operational excellence, exploring more TOD opportunities in the Mainland and overseas markets, and raising our railway value chain capabilities.

Over the years, we have exported our considerable expertise and experience in the construction, operation and maintenance of world-class railway networks to a variety of markets outside Hong Kong, including the

Mainland of China, Macao, Europe and Australia. These businesses carried a total of approximately 1.38 billion passengers and an average of approximately 4.4 million passengers per weekday in 2020.

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RAILWAY BUSINESSES IN THE MAINLAND OF CHINA

Beijing

In Beijing, our associate operates Beijing Metro Line 4 (“BJL4”), the Daxing Line, the first three phases of Beijing Metro Line 14 (“BJL14”) and the Northern Section and Middle Section of Beijing Metro Line 16 (“BJL16”). The average on-time performance of these four lines in 2020 was 99.9%.

Beijing Metro Line 4 and the Daxing Line

The COVID-19 outbreak impacted patronage for BJL4 and the Daxing Line during the year. Combined ridership for the two lines in 2020 was approximately 239 million passenger trips while average weekday patronage was 742,000, representing year-on-year decreases of 47.5% and 45%, respectively. The Daxing Line operations and maintenance (“O&M”) contract has been extended to 29 December 2022.

Beijing Metro Line 14

The first three phases of BJL14 recorded combined passenger trips of approximately 148 million and average weekday patronage of over 479,000 in 2020, representing decreases of 40.8% and 39.2%, respectively, compared to 2019. The full opening of BJL14 is scheduled for late 2021 at the earliest.

Beijing Metro Line 16

The Northern Section of BJL16 recorded approximately 25 million passenger trips and average weekday patronage of more than 81,000 in 2020. The Middle Section of BJL16 opened on 31 December 2020, with the full line scheduled to open in late 2022 at the earliest.

Beijing Metro Line 17

The opening of the first phase of Beijing Metro Line 17 is targeted for the end of 2021. Our associate will lease the rolling stock over a 20-year period, with lease payments to be made in instalments after the opening of each phase.

Shenzhen

Shenzhen Metro Line 4 and North Extension

Shenzhen Metro Line 4 (“SZL4”), operated by our wholly owned subsidiary, saw a decline in patronage in 2020 due to COVID-19. Patronage decreased by 35% to approximately 156 million passengers and average weekday patronage dropped to approximately 446,000. The line once again recorded exceptional on-time performance of 99.9%.

There has been no increase in fares at SZL4 since we began operating the line in 2010. In July 2020, the Shenzhen Municipal Government publicised a fare adjustment framework for the Shenzhen Metro network that will take effect on 1 January 2021 for a period of five years. This framework is expected to enable the establishment of a fare-setting mechanism and the procedures for fare adjustment. However, if a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

The Company signed the O&M agreement for the SZL4 North Extension in 2020, and the extension formally opened on 28 October 2020.

Hangzhou

Hangzhou Metro Line 1 and Xiasha Extension

Our associate operates Hangzhou Metro Line 1 (“HZL1”) and the HZL1 Xiasha Extension. In 2020, patronage on these lines decreased by 27.4% to about 215 million year on year and average weekday patronage dropped to about 612,000. On-time train performance remained at 99.9%. The HZL1 Phase 3 (Airport Extension) formally opened at the end of December 2020.

Hangzhou Metro Line 5

The full line of Hangzhou Metro Line 5 commenced operation in April 2020. Total patronage was about 108 million in 2020 and average weekday patronage was about 332,000.



PROPERTY BUSINESSES IN THE MAINLAND OF CHINA

Shenzhen

The Tiara residential development at Shenzhen Metro Longhua Line Depot Site Lot 1 has a total developable GFA of approximately 206,167 square metres with a retail centre of about 10,000 square metres by GFA. More than 98% of residential units have been sold and handed over to buyers.

COVID-19 negatively impacted the occupancy rate and patronage of TIA Mall in 2020. The Company granted rental concessions to eligible tenants to help them withstand the impact of business disruption caused by the pandemic.

Beijing

The occupancy rate for Ginza Mall in Beijing decreased during the year to 84%. The Company extended rental relief to eligible tenants to help them withstand the impact of business disruption caused by the pandemic.

Tianjin

In Tianjin, project completion for the Beiyunhe Station shopping centre development has been delayed to 2024 as additional works are required for railway safety assurance during basement construction.

Property Management Businesses

As at 31 December 2020, the Company managed a total of approximately 406,000 square metres of self-developed and other third-party properties in the Mainland of China.

MACAO

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line, which opened in December 2019. We also provide project

management and technical support to other light rail lines and extensions in the city.

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EUROPE RAILWAY BUSINESSES

United Kingdom

TfL Rail/Elizabeth Line

In London, our wholly owned subsidiary operates the Crossrail operating concession under the TfL Rail brand. Services include Liverpool Street Station to Shenfield, Paddington Station to Heathrow Airport and Paddington Station to Reading, the latter of which is a 57-km route that was included into the service at the end of 2019. MTR continues to support the phased opening of TfL Rail, which will be renamed Elizabeth Line upon the opening of the Central Operating Section. We recently introduced the new class 345 Full Length Unit to operate to Heathrow Airport.

Although ridership has fallen, TfL Rail services have managed to minimise the risks presented by COVID-19. Our financial interest is reasonably protected as this concession has no fare revenue risks.

South Western Railway

Our associate operates the South Western Railway ("SWR") franchise, one of the largest rail networks in the UK. Services for the SWR were also reduced during lockdown as a result of COVID-19. SWR was transitioned into the Emergency Recovery Measures Agreement ("ERMA") in September 2020 for a period spanning to May 2021. The termination sum for the SWR franchise was agreed with the client which will be paid at the end of the ERMA term. The full exposure to the SWR franchise has already been provided in our 2019 financial statements.

Sweden

MTR is the largest rail operator in Sweden by passenger volume. It operates three rail businesses via wholly owned subsidiaries: Stockholm Metro (Stockholms tunnelbana); MTRX (formerly known as MTR Express), an intercity service between Stockholm and Gothenburg; and the Stockholm commuter rail service ("Stockholms pendeltåg"), which serves the greater Stockholm area.

Stockholm Metro (Stockholms tunnelbana)

During the pandemic, Stockholm Metro continued to run a full service with strong operational performance.

MTRX

MTRX – which underwent a successful rebranding earlier in 2020 and was recently ranked third in the Swedish Innovation Index – has been operating a reduced service since March 2020 due to travel restrictions and decreased demand brought by the COVID-19 outbreak.

Stockholms pendeltåg

Stockholms pendeltåg continued to run a full service during the pandemic while achieving record-high punctuality.

AUSTRALIA RAILWAY BUSINESSES

Melbourne's Metropolitan Rail Service

In Melbourne, our subsidiary operates the Melbourne metropolitan rail network. Passenger volume decreased sharply in 2020 amid COVID-19 outbreak. Our subsidiary reached an agreement with the State government in May 2020 on financial support to ease the effects of the pandemic.

Sydney Metro North West Line

In Sydney, MTR is a member of Northwest Rapid Transit ("NRT") Consortium and is responsible for the delivery of the PPP contract including design, financing and construction of the Sydney Metro North West Line as well as its on-going operations and maintenance. The line

opened in May 2019 and continued to run a full service in 2020. Patronage was affected by COVID-19; however, there is no fare revenue risk to NRT according to the terms of this franchise. Service performance continued to improve throughout the year.

Sydney Metro City & Southwest Project

In 2019, the NRT consortium was awarded the PPP contract for delivery of new metro trains and core rail systems, as well as operation and maintenance of the combined Sydney Metro North West and Sydney Metro City & Southwest lines until 2034. The project continued to move forward with milestones achieved as planned despite some restrictions on the flow of people and materials between countries as a result of COVID-19.





GROWTH OUTSIDE OF HONG KONG

Mainland of China

In August 2020, the consortium led by our wholly owned subsidiary was awarded the tender for the Shenzhen Metro Line 13 PPP project. The contract was formally signed in October 2020. The project covers investment, construction, and operations and maintenance for a period of 30 years following completion. Construction covers track laying, rolling stock, and electrical and mechanical systems, including the signalling system and automated fare collection system for the 22.4-km line. The total capital cost of approximately RMB4.91 billion will be financed by both debt and equity. The PPP project will be undertaken by a company in which our wholly owned subsidiary will have an effective interest of 83%. Shenzhen Metro Line 13 is expected to commence service in 2023. Our bid for Shenzhen Metro Line 12 was unsuccessful.

In June 2020, the Company signed a joint venture agreement with Chengdu Rail Transit Group to set up a new company to explore and develop station commercial and related businesses in Chengdu. One of the priorities of the new company is to demonstrate the added value MTR brings to station commercial activities.

Also in June 2020, our rolling stock maintenance company with the CRRC Hangzhou Digital Technology Co., Ltd consortium won the contracts for the rolling stock fleet overhaul for certain lines in Hangzhou and Shenzhen.

Discussions are on-going regarding potential cooperation opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area to build transport infrastructure as well as property and community projects. The Company has been involved as the TOD advisor of Dongguan

Binhaiwan New Area Government for the conceptual planning of the High Speed Rail Binhaiwan Station TOD. In other Greater Bay Area cities, we are exploring the investment opportunities of rail-related projects. Leveraging our experience, we will continue to play an active role in the integrated development and TOD of the Greater Bay Area.

In March 2021, we jointly secured the land use right for a TOD site in the south of Hangzhou West Station together with three joint venture partners. This project is a mixed-use property development comprising serviced apartment, office, retail and hotel, with a total developable GFA of approximately 688,210 square metres. The Company has a 10% interest in the project with an equity investment of RMB350 million.

Sweden

In December 2020, our wholly owned subsidiary was awarded the O&M concession for the Mälartåg train service, which covers an eight-year period with a one-year option for extension. The tender process is currently subject to legal challenges from other bidders, and traffic may start from December 2021 or later depending on the results of these challenges. The Mälartåg network currently serves around 11 million passenger journeys a year and connects Stockholm with major towns and cities including Linköping in the south, Uppsala in the north and Örebro in the west. A further line extension to the north, the Upptåget service, will be included from mid-2022 depending on the results of the legal challenges.

Our bid for the O&M of Roslagsbanan, the commuter network connecting Stockholm and the municipalities north of the city, was unsuccessful.

Mainland of China and International Railway Businesses at a Glance

	MTR Corporation Shareholding	Business Model	Commencement of Franchise/ Expected Date of Commencement of Operation	Franchise/ Concession Period	Total Number of Stations	Route Length (km)
Mainland of China						
Beijing Metro Line 4 ("BJL4")	49%	Public-Private-Partnership ("PPP")	September 2009	30 years	24	28.2
Daxing Line of BJL4	49%	Operations and Maintenance ("O&M") Concession	December 2010	10 years till 2020 and 2 years extension till 2022	11	21.8
Beijing Metro Line 14 ("BJL14")	49%	PPP	Phase 1 to 3: by phases from May 2013 to December 2015 Full Line: Targeted late 2021	30 years from December 2015	Phase 1 to 3: 30 ^{Note 1} Full Line: 37	Phase 1 to 3: 43.8 Full Line: 47.3
Beijing Metro Line 16 ("BJL16")	49%	Phase 1: O&M Concession Full Line: PPP	Phase 1: December 2016 Phase 2: December 2020 Full Line: Targeted after 2021	Phase 1: till full line opens Full Line: 30 years	Phase 1: 10 Phase 2: 7 ^{Note 1} Full Line: 29	Phase 1: 19.6 Phase 2: 10.9 Full Line: 49.8
Beijing Metro Line 17	49%	O&M Concession	Subject to local government arrangement	20 years after service commencement (no later than 31 December 2045)	Full Line: 21	Full Line : 49.7
Shenzhen Metro Line 4 ("SZL4")	100%	Build-Operate-Transfer ^{Note 2}	Phase 1 and 2: by phases from July 2010 to June 2011	30 years	Full Line: 15	Full Line: 20.5
SZL4 North Extension	100%	O&M Concession	October 2020	End together with SZL4 concession	8	10.8
Shenzhen Metro Line 13	83%	PPP	2023	30 years	16	22.4
Hangzhou Metro Line 1 ("HZL1")	49%	PPP	November 2012	25 years	31	48
HZL1 Xiasha Extension	49%	O&M Concession	November 2015	End together with HZL1 concession	3	5.6
HZL1 Phase 3 (Airport Extension)	49%	O&M Concession	December 2020	End together with HZL1 concession	5	11.2
Hangzhou Metro Line 5 ("HZL5")	60%	PPP ^{Note 3}	Initial Section: June 2019 Latter Section (Included West Extension): April 2020	25 years	39	56.2
Macao						
Macao Light Rapid Transit Taipa Line	100%	O&M Service Contract	December 2019	80 months	11	9.3
Europe						
TfL Rail/Elizabeth Line, United Kingdom	100%	O&M Concession	May 2015	8 years	Until End 2021: 31 Full line: 41	Until End 2021: 99 Full line: 128
South Western Railway, United Kingdom	30%	O&M Concession ^{Note 4}	August 2017	7 years	216	998
Stockholm Metro, Sweden	100%	O&M Concession	November 2009	8 years till 2017 and 6 years extension till 2023	100	108
MTRX, Sweden	100%	Open Access Operation	Initial service: March 2015 Full schedule: August 2015	Operating license is subject to renewal	7	462
Stockholm commuter rail, Sweden	100%	O&M Concession	December 2016	10 years	54	247
Mälartåg, Sweden	100%	O&M Concession	December 2021	8 years	46	1,060
Australia						
Melbourne's Metropolitan Rail Service	60%	O&M Concession	November 2009	8 years till 2017 and 7 years extension till 2024	222	409
Sydney Metro North West Line	Mixed	PPP (Operations, Trains & Systems)	May 2019	15 years	13	36
Sydney Metro City & Southwest Line	Mixed	PPP (Operations, Trains & Systems)	Target in 2024	10 years after service commencement	18	30

Notes:

- 1 BJL14 Phase 2 East Section has 12 stations, 11 opened (one is currently bypassed). BJL14 Phase 3 Middle Section has 11 stations, ten opened (one is currently bypassed). BJL16 Phase 2 has seven stations, five opened (two are currently bypassed).
- 2 SZL4 Phase 1 assets are owned by the Shenzhen Municipal Government and MTR Corporation (Shenzhen) Limited took over the operation of Phase 1 in July 2010.
- 3 HZL5 West Extension is out of PPP scope.
- 4 South Western Railway was transitioned into Emergency Recovery Measures Agreement in September 2020.