



## CHAIRMAN'S LETTER

Dear Shareholders and other Stakeholders,

Conventional wisdom says that a strong start is important, but a strong finish is even better. The year under review is a case in point. Although 2022 began with promise, the fifth wave of COVID-19 soon sent Hong Kong into another period of tightened anti-pandemic and social distancing measures that inevitably impacted MTR's railway patronage and retail traffic. Meanwhile, cross-boundary services remained closed, further reducing revenue from the Company's recurrent businesses. But despite it all, we were still able to accomplish a great deal. We opened the highly anticipated East Rail Line cross-harbour extension, an important new piece of railway infrastructure that creates a new route spanning Victoria Harbour to offer added convenience and greatly reduced travelling times for the tens of thousands of passengers who travel along the East Rail Line to and from Hong Kong Island every day. We announced the signing of agreements to embark on new railway extension projects that will also provide thousands of much-needed new homes. Many exciting opportunities lie ahead for us to participate in the further development of railway networks in Hong Kong, Mainland China and around the world. Perhaps most encouraging of all were the lifting of travel restrictions in late 2022 and subsequent resumption of cross-boundary traffic, decisions that not only signal the world's transition from pandemic to endemic, but which also bode very well for Hong Kong's economy as well as our own business.

The last two months of the year included a pair of concerning incidents that we regard as matters demanding thorough investigation. Such events are unfortunate, but they also provide opportunities for us to strengthen our operations and organisation. In fact, we are constantly seeking to enhance and improve ourselves; in 2022, for example, we continued to make solid progress towards the full integration of our environmental, social and governance objectives, which are playing more critical roles in our strategic planning and operations.

Ever since the outbreak of COVID-19 in early 2020, we have been working closely with our communities to keep people safe and Keep Cities Moving. We have also spent the past three years building MTR into an organisation that operates together with the communities it serves as we strive together for a better future. I am confident that the foundations we have laid will support the sustainable growth of the Company and Hong Kong as we overcome the difficulties of recent times and embrace a promising new era.

## BUSINESS PERFORMANCE AND GROWTH

Undoubtedly, one of the highlights of the year happened on 15 May 2022, when the East Rail Line cross-harbour extension commenced service. The century-old East Rail Line now crosses the Victoria Harbour to connect the New Territories and Kowloon with Hong Kong Island, providing enhanced connectivity for passengers during their daily commutes. The opening also marked the culmination of a critical period in the development of Hong Kong's railway transport infrastructure. In November, we were proud to put our first new eight-car Q-trains into service, refreshing our fleet and delivering added comfort for passengers.

On 20 September 2022, Government launched a three-month public consultation on the review of the Fare Adjustment Mechanism ("FAM"). This review seeks to identify a feasible and pragmatic package that will maintain the financial sustainability of the Company while enabling it to take new railway projects forward; cope with increasing expenditures for maintaining the railway system and respond to public concerns regarding fare adjustments. This regular review, which takes place every five years, is expected to be concluded in the first half of 2023. Following the completion of the review, the updated FAM will take effect in June 2023.

Our Hong Kong property development business continued to thrive in 2022. We awarded the Pak Shing Kok Ventilation Building and Tung Chung Traction Substation development projects, which together are expected to offer approximately 2,150 units to local residents. In November, we completed the land exchange documents for the Siu Ho Wan Depot to transform the site into a new development called "Oyster Bay", which will provide about 10,720 private residential units.

To cater for the transportation needs of the future Oyster Bay community, we entered into a Project Agreement with Government for building a new Oyster Bay Station. We also entered into a Project Agreement with Government for the Tung Chung Line Extension to enhance the connectivity of North Lantau. Other railway projects continued to make satisfactory progress during the year as well, including those where we are supporting Government's Railway Development Strategy 2014 for Hong Kong's future railway network expansion.

It was also a year of achievements for our Mainland China and international businesses. In May 2022, the MTR-operated Central Operating Section of London's Elizabeth line commenced service, marking an exciting new era of travel for one of the world's busiest cities. In December, our associate commenced service of the Southern Section of Beijing Metro Line 16, further connecting key areas of the capital and bringing the total length of MTR's operational network in Mainland China to more than 300 kilometres.

Everywhere we operate – from our home city of Hong Kong to Mainland China and major markets in Australia and Europe – we strive to Keep Cities Moving with safe, reliable, accessible and sustainable rail transport services. Therefore, it was heartening to learn that a 2022 study by the University of California, Berkeley, and the Oliver Wyman Forum determined Hong Kong to be the world's best city for public transit. As the city's mass railway transport provider, we feel both privileged and honoured to play a key role in connecting communities across the city, bringing convenience to people's daily lives and contributing to the growth of the local economy.

## FINANCIAL PERFORMANCE

The fifth wave of COVID-19 resulted in decreased domestic patronage and retail traffic in 2022 despite general recoveries over the second half of the year. Meanwhile, the closures of cross-boundary stations in 2022 continued to have significant impacts on fare revenue and rentals. With the recent reopening of cross-boundary stations, we have now seen a gradual improvement in railway patronage and retail traffic.

Profit from our recurrent businesses was HK\$1,119 million before the HK\$962 million impairment provision made in respect of Shenzhen Metro Line 4. Together with the

profit from our property development businesses, which increased by 12.2% to HK\$10,480 million, profit from our underlying business was HK\$10,637 million. Including the loss arising from the fair value measurement of investment properties, net profit attributable to shareholders of the Company in 2022 was HK\$9,827 million, equating to earnings per share of HK\$1.59. The Board has proposed a final ordinary dividend of HK\$0.89 per share, which together with the interim dividend of HK\$0.42 per share will bring the full-year dividend to HK\$1.31 per share (2021: HK\$1.27 per share).



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We strongly believe that having a robust environmental, social and governance framework helps us achieve sustainable growth for the Company and its shareholders while also taking account of other stakeholder interests and providing tangible benefits for the communities we serve in Hong Kong and around the world. Since unveiling our Corporate Strategy, "Transforming the Future", in 2020, we have worked vigorously to align our operations in accordance with our three primary environmental and social objectives: reducing Greenhouse Gas Emissions, promoting Social Inclusion, and fostering Advancement & Opportunities. To help us do this, we have defined 10 specific areas of focus across these three objectives, supported by 35 key performance indicators ("KPIs"). By the end of 2022, many of these KPIs had either been achieved or were on track to be achieved, and we will be setting new KPIs to further challenge ourselves in the pursuit of our corporate purpose.

### Reducing Greenhouse Gas Emissions

Climate change is one of the most important issues of our time. At MTR, a global leader in low-carbon transit services, we strive to promote environmental sustainability by taking concrete, measurable actions to manage and further reduce our carbon footprint.

We have completed a comprehensive carbon reduction study to help us establish science-based reduction targets for our railway and property businesses in Hong Kong for 2030, and these 2030 targets have been submitted to the Science Based Targets initiative for validation. Our longer-term goal is to increase our use of green technologies, boost operational efficiencies and

collaborate with likeminded partners en route to achieving carbon neutrality by 2050.

In April 2022, we completed the installation of solar panels and glass at Hin Keng Station, supporting the operation of the station's facilities with renewable energy. Installations at Pat Heung and Chai Wan depots are on-going. In 2022, we attained BEAM Plus Provisional Gold accreditation for our proposed Tung Chung East and Tung Chung West stations. In June, we established the HKUST-MTR Joint Research Laboratory with the Hong Kong University of Science and Technology, an initiative designed to promote the application of innovative smart community and smart mobility technologies in railway and other services. We are also pleased that more than 25% of F&B tenants at our shopping malls joined our food waste reduction programme during the year.

In 2022, green finance totalling HK\$2.8 billion was arranged under our Sustainable Finance Framework. These funds will go towards supporting the Company's sustainable development via projects designed to conserve energy, protect the environment, and enhance and expand low-carbon railway services.

### Promoting Social Inclusion

By its very nature, quality mass transit should be accessible to everyone, irrespective of age, physical ability or socioeconomic status. In November 2022, we proudly launched our new "MTR • Care" mobile app, which offers functions for the elderly and those with special needs. The year also included a series of pre-opening visits and guided tours for NGOs and disabled support groups at the new Exhibition Centre Station. A number of station shops have been let to NGOs at nominal rent to help them provide services for the community and create job opportunities for families with special needs.

At MTR, we work very hard to ensure that our hiring practices, arrangements and support for our colleagues are inclusive and to provide equal employment opportunities for all. This was evident in our 2022 summer internship programme, where we increased the number of interns hired who were either from an ethnic minority background or students with special educational needs to 9%. We also strive to promote social inclusion among our colleagues and strengthen our connections with the community. September 2022 saw the launch of "Social Inclusion Week", a series of events and initiatives during which more than 3,000 colleagues engaged with over 30 NGOs and social enterprises serving people with different needs. The highlight was an "Inclusive Concert" hosted at Telford Plaza, where visually impaired musicians



shared stories of overcoming adversity and performed a selection of Chinese and Western music pieces. The year also marked the establishment of our “Gender Equity Network”, as one of the milestones in driving diversity, equity and inclusion in our workplace.

It was another productive year for our “More Time Reaching Community” volunteering scheme, which organised 111 activities that attracted a headcount of 1,599 participating volunteers serving 25,000 people in need. In 2022, our volunteers also provided support in packing and delivering anti-pandemic supplies. In addition, we collaborated with schools and NGOs to pilot the “Legacy Train Revitalisation Programme” to preserve and revitalise retired trains and their components.

## Fostering Advancement & Opportunities

The achievements of MTR can be attributed to the hard work and drive for excellence of our valued members of staff. In 2022, we continued to offer our colleagues a robust suite of learning and development resources, delivered in both face-to-face and virtual formats to ensure their health and safety during the pandemic. We were also excited to introduce new programmes and self-directed learning initiatives via online platforms.

MTR is passionate about pursuing new innovations and technologies that can help further improve its world-class services. In August 2022, we signed an agreement with Hong Kong Science and Technology Parks Corporation on a three-year cooperative framework structured around exploring technological applications, data collaboration and co-investments in tech ventures to foster the development of smart solutions and promote Hong Kong as a global IT hub. We also sponsored the “She Loves Tech 2022” Global Startup Competition and Global Conference for female entrepreneurs.

During the year, we worked to help young people achieve brighter futures with our “‘Train’ for Life’s Journeys” programme. Themed “Achievement • Inclusion • Dream”, the 2022 programme featured sharings, workshops and community visits to help students from diverse backgrounds embrace innovation and inclusion while also offering them valuable career and life planning guidance.

## Governance

Following an external evaluation of the effectiveness of the Board and its suitability for providing oversight of the new corporate strategy, we initiated a revamp of the Board’s Committee structure in February 2022. This resulted in the establishment of a new Finance &

Investment Committee and a new Technology Advisory Panel; the combination of the former Audit Committee and the former Risk Committee to form a new Audit & Risk Committee; and the update of all Board Committees’ terms of reference. In 2022, we updated our Board Diversity Policy to include a specific gender diversity target for the Board to have no less than 20% female members with immediate effect and no less than 25% by 2025. We also held our first-ever hybrid format Annual General Meeting in May, offering our shareholders additional ways of participating in the meeting and, at the same time, helping to reduce our carbon footprint.

## ACKNOWLEDGEMENTS AND APPRECIATION

I would like to take this opportunity to recognise the contributions of our Board, Members of Executive Directorate, management and staff, whose guidance and hard work have been invaluable to our mission to Keep Cities Moving no matter the circumstances. In particular, I would like to thank once more Dr Anthony Chow Wing-kin, Dr Eddy Fong Ching and Mr Benjamin Tang Kwok-bun, who retired from their roles as Independent Non-Executive Directors of the Board on 25 May 2022, for their strong leadership and counsel. I also welcome once again Mr Sunny Lee Wai-kwong and Mr Carlson Tong, who were appointed as Independent Non-Executive Directors of the Board on 25 May 2022, and Mr Lam Sai-hung (Secretary for Transport and Logistics), who re-joined the Board as a Non-executive Director in July 2022. I would also like to thank Mr Frank Chan Fan (former Secretary for Transport and Housing) for his valuable contributions to the Board and the Company during his tenure.

It has been a tumultuous few years, but I believe that better times are ahead. I have no doubt that our talented, dedicated people will help take MTR and Hong Kong towards a promising new horizon as we move ahead full steam into 2023.



Dr Rex Auyeung Pak-kuen  
Chairman  
Hong Kong, 9 March 2023