CEO'S REVIEW
OF OPERATIONS AND OUTLOOK

Dear Shareholders and other Stakeholders,

I am pleased to report on MTR Corporation Limited's performance and progress in 2022.

In another trying year, we continued to deliver world-class service for our customers while enhancing the quality and comfort of our transit services. In Hong Kong, we delivered a major piece of railway infrastructure that has greatly boosted convenience for passengers travelling across Victoria Harbour, while our property development business secured a major project that will increase the city's supply of much-needed residential units. We also continued to make promising headway in terms of our environmental and social objectives – particularly in our focus areas of Greenhouse Gas ("GHG") Emissions Reduction, promoting Social Inclusion, and fostering Advancement & Opportunities – while further embedding the goals and values of our Corporate Strategy throughout the organisation to achieve sustainable, mutually beneficial growth for MTR and the communities that we serve around the world.

Undoubtedly, one of the highlights of the year was the commencement of the East Rail Line cross-harbour extension, the final piece of the Shatin to Central Link project. This milestone represents not only the completion of a major infrastructure project, one that seamlessly connects the New Territories and Kowloon with Hong Kong Island, but also the conclusion of an important era in the growth of the city's railway network. We were also proud to introduce our initial set of new eight-car Q-trains, which have been deployed along the Kwun Tong Line. These are the first of 93 new trains that are being brought in to replace our existing rail fleet throughout the Hong Kong network.

It was also a successful year for our property development business. We completed the land exchange documents for the Siu Ho Wan Depot to transform the site into a new development called "Oyster Bay", which is expected to provide about 10,720 private residential units to the city's housing supply. To serve this future community with convenient rail transport service, we also entered into a Project Agreement with Government for the new Oyster Bay Station. Elsewhere, we awarded tenders for the Pak Shing Kok Ventilation Building and Tung Chung Traction Substation property development projects in 2022. These two projects should deliver about 2,150 residential units.

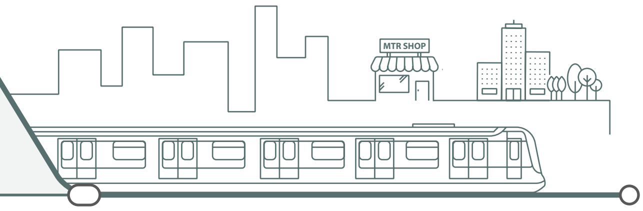
We continued to make headway on a number of projects under Government's Railway Development Strategy 2014 ("RDS 2014"), the blueprint for the future development of Hong Kong's railway network. On 28 February 2023, the Company entered into a Project Agreement with Government for the Tung Chung Line Extension, which will enhance the connectivity of North Lantau and support the growth of communities around rail stations in line with Government's strategy of making railways the backbone of public transport.

In our Mainland China and international businesses, we proudly commenced service of the Central Operating Section of London's Elizabeth line, a landmark development that has increased the city's rail capacity. Our wholly owned subsidiary is responsible for the daily operations of the full line, which is over 100km in route length. The Southern Section of Beijing Metro Line 16 ("BJL16") opened for passenger service in December 2022, enhancing Beijing's metro network and providing passengers with more commuting options. We also continued to explore opportunities in Mainland China and overseas for railway projects and transit-oriented development ("TOD") that can further diversify our revenue streams and build the MTR brand globally.

Financially, the Company's results were impacted by the fifth wave of COVID-19 in the first half of the year, which had negative effects on patronage, fare revenue and revenue from commercial rentals, although property development profit offset this to some degree. Profit attributable to equity shareholders from recurrent businesses was HK$1,119 million before the HK$962 million impairment provision made in respect of Shenzhen Metro Line 4 ("SZL4"), while property development profit increased by 12.2% to HK$10,480 million. Profit attributable to shareholders from underlying businesses was HK$10,637 million. Including the loss arising from fair value measurement of investment properties, net profit attributable to the shareholders of the Company was HK$9,827 million, representing earnings per share of HK$1.59.

Your 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 brings the full-year dividend to HK$1.31 per share. This represents an increase of 3.1% compared to 2021.

HONG KONG BUSINESSES



MTR operates largely under a rail plus property business model that includes the Company's "Hong Kong Transport Services" – comprising rail and bus services as well as related commercial activities at stations – and the development, rental and management of its railway-linked properties. Such a business model benefits MTR, all of its shareholders and communities at large.

In 2022, COVID-19 continued to impact our domestic patronage and fare revenue. The outbreak also affected retail traffic and rentals. Since the lifting of international air travel restrictions in late 2022 and the reopening of cross-boundary stations in early 2023, we have seen gradual recoveries in railway patronage and retail traffic.

Hong Kong Transport Services – Transport Operations

	Year ended 31 December		
HK$ million	**2022**	2021	Inc./(Dec.) %
Hong Kong Transport Operations			
Total Revenue	**13,404**	13,177	1.7
Operating Profit/(Loss) before Depreciation, Amortisation and Variable Annual Payment ("EBITDA")	**691**	834	(17.1)
(Loss)/Profit before Interest, Finance Charges, Taxation and after Variable Annual Payment ("EBIT")	**(4,733)**	(4,262)	(11.1)
EBITDA Margin (in %)	**5.2%**	6.3%	(1.1)% pts.
EBIT Margin (in %)	**(35.3)%**	(32.3)%	(3.0)% pts.

In 2022, total revenue from Hong Kong transport operations increased by 1.7% to HK$13,404 million compared to the HK$13,177 million recorded in 2021. Loss before interest, finance charges, taxation and after variable annual payment was HK$4,733 million. The increase in loss was mainly due to increased staff and energy costs as well as higher depreciation resulting from the opening of the East Rail Line cross-harbour extension.

Patronage and Revenue

	Patronage In millions		Revenue HK$ million	
	2022	Inc./(Dec.) %	**2022**	Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service	**1,334.6**	(6.1)	**11,245**	1.6
Cross-boundary Service	**0.4**	(11.7)	**4**	(20.0)
High Speed Rail ("HSR")	**–**	n/m	**1,401**	2.8
Airport Express	**3.1**	44.2	**128**	43.8
Light Rail and Bus	**180.0**	(6.3)	**561**	(3.8)
Intercity	**–**	n/m	**–**	n/m
	1,518.1	(6.1)	**13,339**	1.8
Others			**65**	(7.1)
Total			**13,404**	1.7

n/m: not meaningful

Total patronage for all MTR rail and bus services decreased by 6.1% to 1,518.1 million compared to 1,616.3 million in 2021 due to the effects of the pandemic. Average weekday patronage decreased by 6.3% to 4.45 million. The recent reopening of cross-boundary stations between Hong Kong and Mainland China has had a positive impact on our patronage, and cross-boundary patronage in particular will gradually recover. Restrictions and quarantine requirements for travellers entering Hong Kong suppressed Airport Express patronage in the first half of the year, although the relaxation of such measures in the second half led to a recovery. Throughout the year, MTR continued to offer special promotions and fare discounts for domestic travel to help drive ridership and mitigate the effects of the pandemic. The end of the special rebate programme in March 2021 had a positive effect on the average fare for Domestic Service in 2022.

Market Share

MTR's overall market share of the franchised public transport market in Hong Kong in 2022 increased to 48.3% compared with 47.3% in 2021. This was due to additional patronage from the openings of the full Tuen Ma Line in June 2021 and East Rail Line cross-harbour extension in May 2022. The Company's share of cross-harbour traffic was 70.1% compared with 67.6% in 2021. Our share of the cross-boundary business, including HSR and Cross-boundary Service, was 0% on account of the closures of all boundary crossings that we serve. Our share of traffic to and from the airport was 18.2% compared to 21.6% in 2021, mainly due to the denominator effect resulting from a sharp increase in inbound travellers who were under closed-loop quarantine using designated transport vehicles during the most part of the year and thereby unable to use any public transport.

Fare Adjustment, Promotions and Concessions

In March 2022, MTR announced there would be no adjustment of fares in 2022/23 according to the fare adjustment mechanism ("FAM") and that the Overall Fare Adjustment Rate, calculated at 0.5%, would be rolled over to 2023/24. Including the 1.85% fare decrease announced in 2021/22, this was the third consecutive year that there was no fare increase under the FAM. MTR also announced that its special 3.8% fare rebate (0.8% on top of the committed 3.0% rebate under the FAM) would be extended till 31 January 2023. In addition to the extension of the 3.8% fare rebate, the Company offered other promotions worth over HK$600 million in total for 2022/23. To further reduce economic hardship during the pandemic and promote accessibility and inclusivity, the Company also continued to offer approximately HK$2.1 billion in on-going fare concessions to customers including general commuters, the elderly, children, eligible students and persons with disabilities.

On 20 September 2022, the Government launched a three-month public consultation on the review of the FAM. This review seeks to identify a feasible and pragmatic package that will maintain the financial sustainability of the Company and enable 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.

Service Performance

MTR is committed to achieving excellence in service and reliability. During the year, we once again attained a world-class 99.9% rate in passenger journeys on-time and train service delivery for our heavy rail network.

In 2022, we ran more than 1.64 million train trips on our heavy rail network and more than 0.89 million trips on our light rail network. There were eight delays (defined as those lasting 31 minutes or more and attributable to factors within the Company's control) on the heavy rail network and no delays of this nature on the light rail network.

We are very concerned about the two incidents in late 2022, which demand extensive investigation and follow-up action. In November, a metallic trackside protection barrier came dislodged and collided with a Tsuen Wan Line train that was entering Yau Ma Tei Station. As a result, the front wheel axle of the first car came off the rail, and two pairs of train doors were dislocated. The investigation report was made public in January 2023. It revealed that there was serious corrosion of the metallic protection barrier's mounting bolts and nuts, both at its base frames on the ground and on the tunnel wall, thus causing structural instability. We are implementing the improvement measures recommended in the report. In December 2022, a Tseung Kwan O Line train approaching Tseung Kwan O Station was brought to a stop by the fault-protection mechanism because an abnormal extension of the gangway between the sixth and seventh train cars was detected. The investigation report was made public in February 2023. It concluded that the incident was caused by the detachment of a collar that held the energy absorption device in a secured position within the semi-permanent coupler assembly of the train's sixth car, resulting in the device dislodging internally. Besides inspecting energy absorption devices removed from inter-car coupler assemblies of the same type, we are also implementing the improvement actions recommended in the report.

It is the Company's top priority to provide safe, reliable and efficient railway services for passengers. In addition to carrying out immediate and in-depth investigations into these two incidents, MTR set up an Expert Panel in December 2022 to conduct a comprehensive review of the Company's railway asset management and maintenance regime with the aim of completing the review and reporting to the Board in six months.

Enhancing the Customer Service Experience

On 15 May 2022, we opened the East Rail Line cross-harbour extension. Passengers now have a fourth option for crossing the harbour to and from Hong Kong Island, enabling even faster, more convenient railway service.

We also made numerous enhancements to our customer services and facilities in 2022. Works included installing smart toilet facilities and drinking water dispensers as well as initiating a programme for providing a wheelchair charging service at station concourse to improve accessibility for the disabled and customers with special needs.

During the year, we completed the last phase of our chiller replacement programme. A total of 154 newer, more energy-efficient chillers have been installed that will deliver increased comfort for commuters in stations while reducing approximately 15,000 tonnes of CO_2 per annum. A new programme to replace 31 more chillers will take place between 2023 and 2026.

By December 2022, three new eight-car Q-trains had commenced service on the Kwun Tong Line, part of our extensive efforts to phase out older trains and replace them with newer, more comfortable models. As at 31 December 2022, the Company had received delivery of 19 of the 93 new eight-car heavy rail trains ordered, which will be put into passenger service in stages over the next few years.

Signalling replacement is an important asset renewal project. The replacement of our existing signalling system ("SACEM System") by a communication-based train control signalling system ("CBTC System") along the Island, Tseung Kwan O, Kwun Tong and Tsuen Wan lines continued in 2022. During the year, a revised technical proposal for the project was developed using established CBTC software with a range of customised functions that are essential for MTR operations. Once the CBTC System project is completed, train services can be enhanced to increase overall carrying capacity, fulfilling our long-term operational needs. After undergoing necessary testing and meeting the requirements of relevant Government departments, the new CBTC System is expected to commence service on the Tsuen Wan Line between 2025 and 2026, followed by implementation on the Island, Kwun Tong and Tseung Kwan O lines. Overall project completion is expected between 2028 and 2029.

Smart Mobility, Operations and Maintenance

MTR strives to "Go Smart Go Beyond" in its customer service, operations and maintenance, adopting the latest technologies, innovations and sustainable practices to make the Company and customer journey better than ever. During the year, we added the UnionPay and WeChat Pay options to our QR code ticketing at gates for added convenience. We introduced the new "Cross-Harbour Easy", a display located at Admiralty Station's concourse and interchange platform, to show real-time traffic and train frequency along the Tsuen Wan Line and East Rail Line platforms and enable passengers to select their best route. In 2022, MTR also became the first global transport operator to join The Sandbox metaverse, where we are creating an immersive, railway-themed virtual space to engage with the younger generations.

Our quest to "Go Smart Go Beyond" is also helping us improve our railway maintenance and operations. For example, we are now employing an artificial intelligence-powered SACEM Remote Monitoring and Alarm Detection ("AI SACEM") platform, co-developed with Alibaba Cloud, that streams fault log data via telecommunication so we can analyse, predict and respond to faults earlier.

Hong Kong Transport Services – Station Commercial Businesses

HK$ million	Year ended 31 December 2022	2021	Inc./(Dec.) %
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	**1,544**	1,594	(3.1)
Advertising Revenue	**836**	894	(6.5)
Telecommunication Income	**616**	631	(2.4)
Other Station Commercial Income	**81**	89	(9.0)
Total Revenue	**3,077**	3,208	(4.1)
EBITDA	**2,555**	2,728	(6.3)
EBIT	**2,270**	2,488	(8.8)
EBITDA Margin (in %)	**83.0%**	85.0%	(2.0)% pts.
EBIT Margin (in %)	**73.8%**	77.6%	(3.8)% pts.

In 2022, total revenue from all Hong Kong station commercial activities decreased by 4.1% to HK$3,077 million. This was mainly due to the impact of the fifth wave of COVID-19, which led to lower spending by advertisers and lower rental revenue from negative rental reversions.

Station retail rental revenue decreased by 3.1% to HK$1,544 million, which was primarily attributed to negative rental reversions. To retain and attract small and medium tenants during the pandemic, we continued to offer flexible and/ or shorter-term leases. Rental reversion and average occupancy rates for station kiosks were approximately -14.6% and 97.3%, respectively. To help drive traffic to our station retail outlets in a difficult economic environment, we ran several promotions via our MTR Mobile app and MTR Points loyalty programme, and we also reviewed our tenant mix to ensure the attractiveness of our retail offerings. Our Duty Free business was impacted by the closure of cross-boundary stations. In early 2023, Duty Free business resumed with the reopening of cross-boundary stations. However, its performance is expected to be impacted as compared to the past by contracts that were renewed in adverse market conditions, and it will also be dependent on patronage and turnover levels.

As at 31 December 2022, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 36% will expire in 2023, 24% in 2024, 35% in 2025, and 5% in 2026 and beyond.

In terms of trade mix, food and beverage accounted for approximately 46% of the leased area of our station kiosks (excluding Duty Free shops) as at 31 December 2022, followed by cake shops at 15%, convenience stores at 15%, passenger services at 10% and others at 14%.

Advertising revenue decreased by 6.5% to HK$836 million in 2022. Spending started to improve in the latter part of the year after the fifth wave of the pandemic subsided. During the year, we continued our progress in transforming our media to digital advertising platforms, offered competitive sales packages, and designed flexible, targeted packages, including online-plus-offline campaign offerings.

Telecommunications revenue was HK$616 million in 2022, representing a 2.4% decrease compared to the previous year. 5G services were available at 75 stations by the end of 2022. We also issued a tender for a new commercial 5G telecom system in the fourth quarter of the year. A co-developed data centre service in Tseung Kwan O has been up and running since February 2022.

Property Businesses

Property Rental and Management

HK$ million	Year ended 31 December 2022	2021	Inc./(Dec.) %
Hong Kong Property Rental and Property Management Businesses			
Revenue from Property Rental	**4,525**	4,787	(5.5)
Revenue from Property Management	**254**	249	2.0
Total Revenue	**4,779**	5,036	(5.1)
EBITDA	**3,815**	4,066	(6.2)
EBIT	**3,800**	4,048	(6.1)
EBITDA Margin (in %)	**79.8%**	80.7%	(0.9)% pt.
EBIT Margin (in %)	**79.5%**	80.4%	(0.9)% pt.

In 2022, revenue from property rental and management decreased by 5.1% year on year to HK$4,779 million as rental revenue suffered from the pandemic's dampening effects on mall traffic and rental reversions. We also continued to offer rental concessions for tenants, which are granted on a case-by-case basis. For the year, MTR shopping malls recorded a rental reversion of -9.0% and an average occupancy rate of 99%. The Company's 18 floors in Two International Finance Centre had an average occupancy rate of 94%.

As at 31 December 2022, the lease expiry profile of our shopping malls by area occupied was such that approximately 36% will expire in 2023, 30% in 2024, 17% in 2025, and 17% in 2026 and beyond.

In terms of trade mix, food and beverage accounted for approximately 28% of the leased area of our shopping malls as at 31 December 2022, followed by services (24%), fashion, beauty and accessories (21%), leisure and entertainment (18%), and department stores and supermarkets (9%).

In 2022, mall rentals continued to be impacted by the pandemic and the closure of cross-boundary stations. To drive traffic to our malls, we launched tactical promotional programmes via our MTR Mobile app as well as targeted marketing campaigns designed to appeal to specific groups of shoppers. We also proudly launched "LOUDER", a new retail programme to help small local brands build their businesses through enhanced online-to-offline presence. This initiative is part of our efforts to drive our New Growth Engine and support MTR's sustainable business growth and environmental, social and governance objectives by creating opportunities for small local businesses to grow alongside the Company.

Property Development and Tendering

In 2022, Hong Kong property development profit (post-tax) was HK$10,413 million. This was mainly derived from LP10 (LOHAS Park Package 10), SOUTHLAND (THE SOUTHSIDE Package 1) and La Marina (THE SOUTHSIDE Package 2).

During the year, pre-sales activities continued for our property development projects. As at 31 December 2022, SOUTHLAND and La Marina were 78% and 83% sold, respectively, while LP10 was 89% sold. Pre-sales for Villa Garda I and II (LOHAS Park Package 11) launched in June and July 2022 and were 79% and 22% sold, respectively, as at the end of the year. We have also obtained pre-sale consent for IN ONE Phase IA, Phase IB and Phase IC (Ho Man Tin Station Package 2) and Phase 4A and Phase 4B of THE SOUTHSIDE Package 4.

Earlier in 2022, we awarded the Pak Shing Kok Ventilation Building property development project to a consortium formed by New World Development Company Limited and China Merchants Land Limited. We also awarded the Tung Chung Traction Substation property development project to a subsidiary of Chinachem Group. Three tender submissions for Oyster Bay Package 1 were received in February 2023. However, we decided not to accept any of the tender submissions as none of them met our minimum requirements, and we will retender the project in due course subject to market conditions.

GROWING OUR HONG KONG BUSINESSES

In 2022, we strengthened our "Hong Kong Core" strategic pillar by completing a major infrastructure project, securing an important future residential development and making headway on important initiatives under Government's RDS 2014.

Shatin to Central Link

In May 2022, we opened the East Rail Line cross-harbour extension, marking the completion of the Hung Hom to Admiralty Section of the Shatin to Central Link. Passengers are now enjoying enhanced connectivity and reduced travel times between Hong Kong Island and Kowloon and the New Territories. The opening also signified the conclusion of an important era in the development of Hong Kong's railway transport infrastructure, one that included a total of five new rail projects.

Building the Future of the Hong Kong Railway Network

With the completion of the Shatin to Central Link, MTR is now fully focused on the next exciting phase of rail transport development in Hong Kong. In addition to building infrastructure to support future communities, we are also working on projects under RDS 2014, initiatives for the new Northern Metropolis Development Strategy, and strategic railway projects recommended under the Strategic Studies on Railways and Major Roads Beyond 2030 ("RMR2030+ Study"). Together, these initiatives will provide more efficient links between local communities, strengthen economic ties with neighbouring cities in the Greater Bay Area, and create opportunities for TOD that benefits residents and grows the Company's businesses.

On 23 September 2022, we entered into a Project Agreement with Government on the financing, design, construction, operation and maintenance of a new Oyster Bay Station, which will serve the future Oyster Bay community at the existing Siu Ho Wan Depot Site. Construction is expected to commence in 2023 and be completed in 2030.

On 28 February 2023, the Company entered into a Project Agreement with Government for the financing, design, construction, operation, and maintenance of the Tung Chung Line Extension. This agreement also covers the construction of the Airport Railway Extended Overrun Tunnel. The Tung Chung Line Extension project will be funded by the financial contribution from the "Rail plus Property" development model and the Company's internal resources. With the Project Agreement in place, the tendering for the key contracts of Tung Chung Line Extension will be completed soon, upon which the project will proceed to the construction stage. It is expected that the construction of the Tung Chung Line Extension will commence in mid-2023 for targeted completion in 2029, while the construction of the Airport Railway Extended Overrun Tunnel is targeted to commence in 2025 for completion in 2032.

Regarding RDS 2014, for the Tuen Mun South Extension, the scheme was authorised under the Railways Ordinance in June 2022. Construction will commence in 2023 and is targeted for completion in 2030. For the new Kwu Tung Station on the East Rail Line, the scheme was authorised under the Railways Ordinance in November 2022; construction is expected to commence in 2023 for completion in 2027. The preliminary design of the Northern Link main line is progressing. The scheme for the new Hung Shui Kiu Station on the Tuen Ma Line was gazetted under the Railways Ordinance in February 2023, and we are working on the reference design of this new station. Apart from challenges on the availability of sufficient labour in Hong Kong's construction sector, each of these projects has its own technical difficulties and challenges to be addressed, including works needing to be carried out at night during non-traffic hours. It should be noted that we are still in various stages of discussions with Government on the abovementioned projects and have yet to enter into project agreements. However, Government has announced its intention to proceed with MTR on these projects using the ownership approach. Elsewhere, we are also working with Government on the South Island Line (West) and North Island Line.

As Hong Kong's leading provider of low-carbon mass transportation services, MTR fully welcomed the announcement made in the Chief Executive's Policy Address 2022 outlining the development of the "Northern Metropolis" as well as the further extension of Hong Kong's railway network, which is to include three strategic railway projects: the Tseung Kwan O Line Southern Extension, Central Rail Link and Hong Kong-Shenzhen Western Rail Link. These three projects are currently in the public consultation phase as part of RMR2030+ Study. We are also progressing with a construction study on the proposed New Science Park/ Pak Shek Kok Station to be located on the East Rail Line.

Expanding the Property Portfolio

Investment Properties

Our two new shopping malls, The Wai in Tai Wai and THE SOUTHSIDE in Wong Chuk Hang, will expand our existing retail portfolio by nearly 30%. The 60,620-square-metre The Wai will have over 150 retail tenants providing entertainment, leisure and community services for more than 710,000 residents in the Sha Tin district. Fitout work and pre-leasing activities are progressing well in preparation for the mall's opening, which is scheduled for summer 2023. The 47,000-square-metre THE SOUTHSIDE is currently under pre-leasing and is expected to open in the fourth quarter of 2023.

Residential Property Development

During the year, the Company advanced important residential property projects while exploring new development opportunities throughout its extensive rail network. Overall, we have 14 on-going residential property projects in the pipeline that will deliver a supply of approximately 16,000 units for Hong Kong's housing market in the near to medium terms.

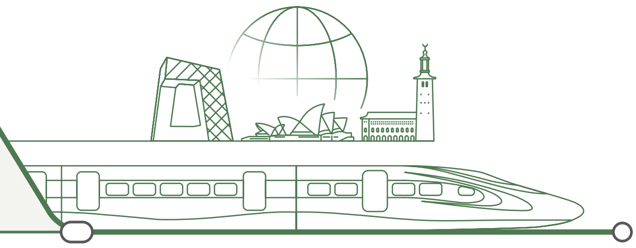
Oyster Bay

In November 2022, we completed the land exchange documents for the existing depot at Siu Ho Wan, which will be transformed into an exciting new development called "Oyster Bay". Subject to tender award, the intake for the first batch of residents is expected in 2030. In all, Oyster Bay will provide about 10,720 private residential units. The public housing units (subsidised housing) will be provided by Government.

Other Potential Property Development Projects

Regarding the property development at Tung Chung East Station, we will start preparation work for the tendering subject to market conditions. Elsewhere, we continue to explore potential sites for development along our existing and future railway lines.

MAINLAND CHINA AND INTERNATIONAL BUSINESSES



In 2022, MTR's Mainland China and international businesses served approximately 1.77 billion passenger journeys outside of Hong Kong through its subsidiaries, associates and joint ventures. Being one of the Company's three strategic pillars, this segment provides environmentally friendly mass transportation services for passengers in Mainland China, Macao, Europe and Australia, offering geographic diversification of revenue and opportunities to build the MTR brand worldwide.

	Mainland China and International Businesses								
	Mainland China and Macao Railway, Property Rental and Property Management Businesses*			International Railway Businesses			Total		
Year ended 31 December HK$ million	**2022**	2021	Inc./(Dec.) %	**2022**	2021	Inc./(Dec.) %	**2022**	2021	Inc./(Dec.) %
Recurrent Businesses									
Subsidiaries									
Revenue	**2,355**	2,686	(12.3)	**23,661**	22,359	5.8	**26,016**	25,045	3.9
EBITDA	**105**	216	(51.4)	**1,160**	674	72.1	**1,265**	890	42.1
EBIT	**42**	203	(79.3)	**920**	419	119.6	**962**	622	54.7
EBITDA Margin (in %)	**4.5%**	8.0%	(3.5)% pts.	**4.9%**	3.0%	1.9% pts.	**4.9%**	3.6%	1.3% pts.
EBIT Margin (in %)	**1.8%**	7.6%	(5.8)% pts.	**3.9%**	1.9%	2.0% pts.	**3.7%**	2.5%	1.2% pts.
Recurrent Business Profit (Net of Non-controlling Interests)	**28**	**157**	**(82.2)**	**267**	**155**	**72.3**	**295**	**312**	**(5.4)**
Associates and Joint Ventures									
Share of Profit	**640**	**692**	**(7.5)**	**55**	**44**	**25.0**	**695**	**736**	**(5.6)**
Profit/(Loss) Attributable to Shareholders of the Company									
– Arising from Recurrent Businesses (before Business Development Expenses and Impairment Loss)							**990**	**1,048**	**(5.5)**
– Business Development Expenses							**(255)**	(219)	(16.4)
– Arising from Recurrent Businesses (after Business Development Expenses but before Impairment Loss)							**735**	**829**	**(11.3)**
– Impairment Loss on Shenzhen Metro Line 4							**(962)**	–	n/m
– Arising from Recurrent Businesses (after Business Development Expenses and Impairment Loss)							**(227)**	**829**	**n/m**
– Arising from Mainland China Property Development							**67**	66	1.5
– Arising from Underlying Businesses							**(160)**	**895**	**n/m**

n/m: not meaningful

** Excluding the impairment loss of HK$962 million on Shenzhen Metro Line 4 in Mainland China*

Excluding Mainland China property development, our railway, property rental and management subsidiaries (after business development expenses), together with our associates and joint ventures outside of Hong Kong, contributed a net after-tax profit of HK$735 million in 2022 on an attributable basis, before the HK$962 million impairment provision made for SZL4. This represented a decrease of 11.3% compared with 2021.

In Mainland China and Macao, recurrent business profit from our railway, property rental and property management subsidiaries decreased by 82.2% to HK$28 million in 2022, before the HK$962 million impairment provision made for SZL4. This was primarily due to decreased patronage on SZL4 as a result of the pandemic.

In our international businesses, recurrent business profit from our railway subsidiaries increased by 72.3% to HK$267 million in 2022. This was mainly due to the contribution under the revenue protection mechanism for Melbourne's metropolitan rail service, which took effect in 2022, and the Company's recognition of profit from Sydney Metro City & Southwest as construction progressed. These results were partially offset by operating losses by Stockholms pendeltåg and Mälartåg.

Our share of results from our associates and joint ventures decreased by 5.6% to HK$695 million in 2022, mainly on account of the pandemic in Mainland China, which led to stringent anti-pandemic measures and reduced patronage.

Mainland China and Macao

In Beijing, our associate operates Beijing Metro Line 4, the Daxing Line, Beijing Metro Line 14, the Northern, Middle and Southern sections of BJL16, and the initial section of Beijing Metro Line 17 ("BJL17"). All lines maintained stable operations during the year. The Southern Section of BJL16 successfully opened on 31 December 2022, and the full line is expected to open in 2023. The remaining sections of BJL17 are still under construction.

In Shenzhen, SZL4, including the SZL4 North Extension, is operated by our wholly owned subsidiary. The line maintained stable operations during the year, but as previously stated, there has been no increase in fares for SZL4 since we began operating the line in 2010. We now anticipate that the mechanism and procedures for fare adjustments will take longer to implement, and that patronage will remain at a lower level for longer than expected. We have therefore recognised an impairment provision of HK$962 million for the SZL4 service concession assets during the year. Elsewhere, construction on Shenzhen Metro Line 13 continued to progress, and all the key contracts have been awarded. This line is expected to commence service in 2024.

In Hangzhou, Hangzhou Metro Line 1 ("HZL1"), the Xiasha Extension and Airport Extension as well as Hangzhou Metro Line 5 all achieved stable operations in 2022. HZL1 has been suffering from losses for most of the time during the past several years due to slow growth in patronage. Over the last few years, patronage has been further impacted by the pandemic. As there is no patronage protection mechanism under this concession agreement, the long-term financial viability of this line will be impacted if patronage remains at a low level over a period of time.

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line, where train services achieved stable operations during the year.

The Company also develops and manages a number of residential and commercial properties in Mainland China. TIA Mall in Shenzhen and Ginza Mall in Beijing both experienced reduced foot traffic during the year due to the pandemic. Elsewhere, our shopping mall at Tianjin Beiyunhe Station is progressing, with targeted completion after 2024, while our mixed-used TOD project at Hangzhou West Station also continued to progress.

Europe

In the United Kingdom, the concession to operate the Elizabeth line has been extended to May 2025. The Central Operating Section of the line opened in May 2022, and the line achieved stable operations during the year. Our associate operates the South Western Railway, one of the UK's largest rail networks. Services were stable during the year apart from days that were impacted by an industry-wide strike. Under the National Rail Contract that has just been extended by two years till May 2025, the UK Department for Transport retains all revenue risk and substantially all cost risk.

In Sweden, where we are the largest rail operator by passenger volume, we operate four businesses. Stockholm Metro (Stockholms tunnelbana) achieved steady operations during the year. The contract has been extended for a minimum of 18 months and a maximum of 24 months until 2025. MTRX saw patronage gradually return after the lifting of COVID restrictions in February 2022, but there remain challenges in terms of, inter alia, energy costs, and we are studying options as to the way forward for this business. At Mälartåg, we added the Upptåget lines to this regional network in June 2022. Operations of Mälartåg and Stockholms pendeltåg businesses were impacted by a shortage of operational staff and maintenance issues, and we are working hard to improve their financial performance.

Australia

Our subsidiary in Melbourne operating the metropolitan network achieved steady operations in 2022, and we continued to support our client on initiatives to further improve the network. The Sydney Metro North West Line also achieved satisfactory operations during the year. Passenger journeys have reached more than 56 million since this service began in 2019. We continued to make progress on the construction of the Sydney Metro City & Southwest project as well as the manufacturing, testing and commissioning of new, driverless trains.

Growth Outside of Hong Kong

As always, the Company continued to seek growth opportunities in Mainland China and overseas. Discussions regarding transport infrastructure, station commercial and TOD opportunities are on-going in areas including Chengdu and the Greater Bay Area.

FINANCIAL REVIEW

In addition to the above brief report of the Group's results and operations, this section discusses and analyses such results in more details.

Consolidated Profit or Loss

HK$ million	Year ended 31 December 2022	Year ended 31 December 2021	Favourable/(Unfavourable) Change HK$ million	Favourable/(Unfavourable) Change %
Total Revenue	**47,812**	47,202	610	1.3
Recurrent Business Profit[ζ]				
EBIT[#]				
Hong Kong Transport Services				
– Hong Kong Transport Operations	**(4,733)**	(4,262)	(471)	(11.1)
– Hong Kong Station Commercial Businesses	**2,270**	2,488	(218)	(8.8)
Total Hong Kong Transport Services	**(2,463)**	(1,774)	(689)	(38.8)
Hong Kong Property Rental and Management Businesses	**3,800**	4,048	(248)	(6.1)
Mainland China and International Railway, Property Rental and Management Subsidiaries*	**962**	622	340	54.7
Other Businesses, Project Study and Business Development Expenses	**(539)**	(567)	28	4.9
Share of Profit of Associates and Joint Ventures	**1,095**	968	127	13.1
Total Recurrent EBIT (before Impairment Loss)	**2,855**	**3,297**	**(442)**	**(13.4)**
Impairment Loss on Shenzhen Metro Line 4	**(962)**	–	(962)	n/m
Total Recurrent EBIT (after Impairment Loss)	**1,893**	**3,297**	**(1,404)**	**(42.6)**
Interest and Finance Charges	**(1,061)**	(1,045)	(16)	(1.5)
Income Tax	**(361)**	(317)	(44)	(13.9)
Non-controlling Interests	**(314)**	(127)	(187)	(147.2)
Recurrent Business Profit	**157**	**1,808**	**(1,651)**	**(91.3)**
Property Development Profit (Post-tax)				
Hong Kong	**10,413**	9,277	1,136	12.2
Mainland China	**67**	66	1	1.5
Property Development Profit (Post-tax)	**10,480**	**9,343**	**1,137**	**12.2**
Underlying Business Profit[ε]	**10,637**	**11,151**	**(514)**	**(4.6)**
Loss from Fair Value Measurement of Investment Properties (Post-tax)				
Loss from Fair Value Remeasurement on Investment Properties	**(3,076)**	(2,065)	(1,011)	(49.0)
Gain from Fair Value Measurement of Investment Properties on Initial Recognition from Property Development	**2,266**	466	1,800	386.3
Loss from Fair Value Measurement of Investment Properties (Post-tax)	**(810)**	**(1,599)**	**789**	**49.3**
Net Profit Attributable to Shareholders of the Company	**9,827**	**9,552**	**275**	**2.9**

ζ: *Recurrent business profit represents profit from the Group's Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, Mainland China and international railway, property rental and management businesses and other businesses (excluding fair value measurement of investment properties in Hong Kong and Mainland China).*

#: *EBIT represents profit before interest, finance charges and taxation.*

*: *Excluding the impairment loss of HK$962 million in respect of Shenzhen Metro Line 4 in Mainland China.*

ε: *Underlying business profit represents profit from the Group's recurrent businesses and property development businesses.*

n/m: *not meaningful*

Our recurrent business financial performance in 2022 was adversely impacted by the outbreak of the fifth wave of COVID-19 in Hong Kong since the beginning of 2022 and the impairment provision of HK$962 million made in respect of Shenzhen Metro Line 4 in Mainland China. On the other hand, the Group recorded satisfactory property development profit mainly from three of our development projects in Hong Kong.

Total Revenue

The Group's total revenue in 2022 increased slightly by 1.3% to HK$47,812 million when compared to 2021. The increase was mainly contributed by (i) higher revenue from our Melbourne transport operations, (ii) an increase in design and delivery project income from the Sydney Metro City & Southwest project, and (iii) incremental revenue for Hong Kong transport operations ("HKTO") from the full-year operation of the full Tuen Ma Line and the opening of the East Rail Line cross-harbour extension in May 2022, but partly offset by (iv) the impact of unfavourable exchange rates on revenue from our overseas businesses and (v) weaker fare and non-fare revenue from our Hong Kong businesses due to the fifth wave of COVID-19.

The closures of major passenger boundary crossings between Hong Kong and Mainland China in 2022 and various air travel restrictions in place almost throughout the year continued to have material adverse impacts on our Cross-boundary and Airport Express fare, Duty Free Shops and other rental revenue as visitor arrivals remained minimal.

Recurrent Business Profit

The reintroduction and further tightening of anti-pandemic measures at the time when the fifth wave of COVID-19 struck Hong Kong in early 2022 had severely impacted the financial performance of our Hong Kong recurrent businesses, particularly due to a significant decrease in patronage. Outside of Hong Kong, our railway businesses were also adversely impacted by the outbreak of the Omicron variant in Mainland China as well as a shortage of operational staff and maintenance issues in the Nordic region, although these factors were mitigated by improved profit from our Australia businesses.

Besides, the Group recognised an impairment provision of HK$962 million in respect of Shenzhen Metro Line 4 in first half of 2022 resulting from the no fare increase situation as explained in the past.

As a result, the Group's recurrent business profit decreased significantly by 91.3% to HK$157 million in 2022. Excluding the HK$962 million impairment provision, our recurrent profit would have been HK$1,119 million, a decrease of HK$689 million or 38.1% as compared with 2021.

EBIT

HKTO: Significant EBIT loss of HK$4,733 million was recorded in 2022 with the loss widened by HK$471 million when compared to 2021. This was due to decreases in our Domestic patronage and fare revenue after the fifth wave of COVID-19 struck Hong Kong in early 2022. Our patronage in February and March 2022 reduced to the lowest level since the outbreak of COVID-19. Our Domestic patronage started to rebound since late April 2022 following the phased relaxation or lifting of anti-pandemic measures. The adverse impact of the fifth wave of COVID-19 on HKTO EBIT was mitigated by our collective effort in maintaining stringent cost control measures and incremental revenue from the full-year operation of the full Tuen Ma Line and the opening of the East Rail Line cross-harbour extension in May 2022.

HKTO continued to report a significant loss as Cross-boundary Service, High Speed Rail and Intercity patronage remained severely impacted by the closures of boundary crossings between Hong Kong and Mainland China in 2022. Airport Express patronage showed good signs of recovery as international air travel sentiment improved resulting from the new "0+3" quarantine scheme for inbound travellers effective from late September 2022 which was subsequently fully lifted in late December 2022.

Hong Kong station commercial businesses ("HKSC"):
EBIT profit decreased by HK$218 million (8.8%) to HK$2,270 million. HKSC has been significantly impacted by the pandemic since February 2020, when the revenue stream from Duty Free Shops was suspended due to the closure of boundary crossing stations. The decrease in EBIT when compared to 2021 was mainly due to (i) lower advertising revenue as the improved market sentiment from the second half of 2021 turned bearish in 2022, and (ii) lower rental income from negative rental reversions experienced on renewals and new lets, after the outbreak of the fifth wave of COVID-19.

Hong Kong property rental and management businesses:
EBIT profit decreased by HK$248 million or 6.1% to HK$3,800 million. The decrease in EBIT when compared to 2021 was mainly due to negative rental reversions experienced on renewals and new lets in the backdrop of COVID-19.

Mainland China and international railway, property rental and management businesses subsidiaries:
The COVID-19 continued to adversely impact our Mainland China and international businesses subsidiaries to varying degrees, depending on the impact of the pandemic in the different cities in which we operate and the revenue exposure under different business models in such cities. EBIT profit in 2022 increased by HK$340 million (54.7%) to HK$962 million. This was contributed by better performance of our Melbourne transport operation and Sydney Metro City & Southwest project, though it was partly offset by adverse impacts from (i) the shortage of operational staff and maintenance issues in our Nordic businesses, (ii) the pandemic on our Mainland China businesses and (iii) the depletion of government subsidies for Shenzhen Metro Line 4 by late 2022.

Other businesses, project study and business development expenses:
EBIT loss from these businesses was HK$539 million in 2022, compared to the loss of HK$567 million recorded in 2021. The incurred loss was mainly due to service suspension of Ngong Ping 360 during the fifth wave of COVID-19.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures increased by HK$127 million or 13.1% to HK$1,095 million in 2022. This was mainly due to the increase in profit sharing from Octopus Holdings Limited, which resulted from improved consumer sentiments and the spill over effect from the Government Consumption Voucher Scheme, as well as our increased shareholding since early 2022. Profit was partially offset by the COVID-19 outbreaks in Mainland China which adversely impacted our Hangzhou operations.

Impairment Loss on Shenzhen Metro Line 4 ("SZL4")

As we have been warning repeatedly for some time, if a suitable fare increase and adjustment mechanism are not implemented in Shenzhen soon, the long-term financial viability of this line will be impacted. In this connection, an impairment provision of HK$962 million was made in the first half of 2022 for SZL4 as it is anticipated that the mechanism and procedures for fare adjustments will take longer time to implement and patronage will remain at a lower level for a period of time.

Based on the review performed by the Group as at 31 December 2022, no further impairment provision was made.

Total Recurrent EBIT

Total recurrent EBIT before impairment loss decreased by HK$442 million or 13.4% to HK$2,855 million. Including the impairment loss on SZL4 of HK$962 million, total recurrent EBIT decreased by HK$1,404 million (42.6%) to HK$1,893 million.

Income Tax

Income tax increased by HK$44 million or 13.9% to HK$361 million in 2022. This was mainly due to the increased proportion of profit arising in tax jurisdictions with relatively higher tax rates including Australia.

Since the Rail Merger in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of certain 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 2022/2023 amounted to HK$4.6 billion. On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing that the Sums are tax deductible. The Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022. The date of hearing before the Board of Review is scheduled to be held in early 2024. Further details are set out in Note 16 "Income Tax" to the Consolidated Financial Statements.

Property Development Profit (Post-tax)

Property development profit (post-tax) increased by HK$1,137 million to HK$10,480 million in 2022, which was mainly derived from the incomes and share of surplus proceeds of LP10 (LOHAS Park Package 10), SOUTHLAND (THE SOUTHSIDE Package 1) and La Marina (THE SOUTHSIDE Package 2).

Loss from Fair Value Measurement of Investment Properties (Post-tax)

Loss from fair value measurement of investment properties in Hong Kong and Mainland China was HK$810 million in 2022. This comprised (i) a loss of HK$3,076 million from investment property fair value remeasurement after tax, which was partly mitigated by (ii) a gain of HK$2,266 million from fair value measurement of our sharing-in-kind (i.e. The Wai shopping mall) in the second half of 2022.

The loss from investment property fair value remeasurement of HK$3,076 million represents an approximately 3.6% drop against the value as of 31 December 2021. This loss was mainly explained by the continued negative rental reversions recorded in 2022 due to the pandemic.

Net Profit Attributable to Shareholders of the Company

Taking into account the Group's recurrent businesses, property development businesses and fair value measurement of investment properties, the Group reported a net profit attributable to shareholders of the Company of HK$9,827 million in 2022, increase of HK$275 million or 2.9% when compared to the HK$9,552 million recorded in 2021.

Consolidated Financial Position

HK$ million	31 December 2022	31 December 2021	Inc./(Dec.) HK$ million	%
Net Assets	**179,912**	180,037	(125)	(0.1)
Total Assets	**327,081**	292,082	34,999	12.0
Total Liabilities	**147,169**	112,045	35,124	31.3
Gross Debt^	**47,846**	43,752	4,094	9.4
Net Debt-to-equity Ratio$^{\delta}$	**23.3%**	18.1%		5.2% pts

^: *Gross debt represents loans and other obligations, and short-term loans.*

δ: *Net debt-to-equity ratio represents net debt of HK$41,994 million (2021: HK$32,660 million), which comprises loans and other obligations, short-term loans, obligations under service concession and loans from holders of non-controlling interests net of cash, bank balances and deposits, and investment in bank medium-term notes in the consolidated statement of financial position, as a percentage of the total equity of HK$179,912 million (2021: HK$180,037 million).*

Net Assets

Our financial position remains strong. The Group's net assets decreased slightly by HK$125 million to HK$179,912 million as at 31 December 2022. This was mainly due to 2021 final and 2022 interim ordinary dividend payments and loss in exchange reserves arising from the translation of investments outside Hong Kong due to the unfavourable exchange difference resulting from a stronger Hong Kong dollar, but mitigated by the net profit recognised for the year.

Total Assets

Total assets increased by 12.0% to HK$327,081 million from HK$292,082 million. This was predominantly due to the increase in property development in progress arising from the government grant accounting in relation to the Oyster Bay Project.

Total Liabilities

Total liabilities increased by 31.3% to HK$147,169 million from HK$112,045 million. This was mainly due to the booking of notional deferred income under government grant accounting relating to the Oyster Bay Project. This deferred income will be used to offset the costs for the construction of the new Oyster Bay Station, re-provision of the Siu Ho Wan depot, property enabling works and site formation of the project.

Gross Debt and Cost of Borrowing

Gross debt of the Group (being loans and other obligations, and short-term loans) increased by 9.4% to HK$47,846 million as at 31 December 2022. The weighted average borrowing cost of the Group's interest-bearing borrowings increased from 2.2% p.a. in 2021 to 2.5% p.a. in 2022.

Net Debt-to-equity Ratio

Net debt-to-equity ratio increased by 5.2% points to 23.3% as at 31 December 2022 from 18.1% as at 31 December 2021. This was mainly due to an increase in net debts as a result of the land premium paid for the Oyster Bay Project.

Consolidated Cash Flows

HK$ million	Year ended 31 December 2022	2021
Net Cash Generated from Operating Activities	**6,757**	**7,472**
Receipts from Property Development	**14,162**	17,779
Payment of Property Development	**(9,245)**	(1,137)
Fixed and Variable Annual Payments	**(1,010)**	(988)
Other Net Cash Outflow from Investing Activities	**(10,219)**	(8,489)
Net Cash (Used in)/Generated from Investing Activities	**(6,312)**	**7,165**
Net Drawdown/(Repayment) of Debts, Net of Lease Rental and Interest Payments	**4,100**	(7,317)
Dividends Paid to Shareholders of the Company	**(8,562)**	(7,165)
Other Net Cash Outflow from Financing Activities	**(109)**	(49)
Net Cash Used in Financing Activities	**(4,571)**	**(14,531)**
Effect of Exchange Rate Changes	**(710)**	(42)
(Decrease)/Increase in Cash, Bank Balances and Deposits	**(4,836)**	**64**

Net Cash Generated from Operating Activities

Net cash generated from operating activities was HK$6,757 million compared to HK$7,472 million in 2021. This was mainly due to the decrease in operating profit as discussed above.

Net Receipts from Property Development

Net receipts from property development were HK$4,917 million. These comprised (i) cash receipts of HK$14,162 million from THE SOUTHSIDE and LOHAS Park packages, which were offset by (ii) cash payments of HK$9,245 million mainly for Oyster Bay Project.

Other Net Cash Outflow from Investing Activities

Other net cash outflow from investing activities was HK$10,219 million. This mainly included capital expenditure of HK$10,808 million, comprising HK$7,370 million for investments in additional assets such as station renovation works, new trains and signalling systems for existing Hong Kong railways and related operations, HK$1,465 million for Hong Kong railway extension projects, primarily initial work for RDS 2014 projects, HK$1,204 million for Mainland China and overseas subsidiaries such as Shenzhen Metro Line 13, and HK$769 million for Hong Kong investment properties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In 2022, we strengthened our commitment to environmental, social and governance ("ESG"), the backbone of our Corporate Strategy, by defining 10 commitments and 35 key performance indicators ("KPIs") across our three environmental and social objectives: GHG Emissions Reduction, Social Inclusion, and Advancement & Opportunities. Throughout the year, we pursued these objectives with a range of initiatives designed to combat climate change and protect the environment while fostering a healthier, more harmonious and inclusive society. As at the end of 2022, many of these KPIs had either been achieved or were on target.

Environmental Aspects

As a leader in environmentally friendly mass transit, MTR is contributing to the fight against climate change by pursuing GHG Emissions Reduction through improved energy efficiency. Following a comprehensive study, we have committed to establishing science-based carbon reduction targets for the year 2030 for our railway and property businesses in Hong Kong with the aim of achieving carbon neutrality by 2050. These 2030 targets, which have been submitted to the Science Based Targets initiative for validation and cover Scope 1, 2 and 3 emissions, will be attained by adopting energy efficiency measures and cleaner energy as well as green and low-carbon building designs.

Social Aspects

Social Inclusion is essential to MTR's function as a global leader in mass transit. In 2022, we promoted accessibility and universal basic mobility by launching "MTR • Care", a new app featuring functions that assist passengers with special needs and the elderly; hosting a series of talks at schools and senior centres on our operations and railway safety; and organising special events designed to provide barrier-free access for appreciation of the arts.

Safety is our number one priority, and it is also key to our efforts to ensure that MTR's services are delivered safely for all. In 2022, the number of reportable events on our heavy rail and light rail networks increased by 7.1%. We continue to use innovation and technology to manage our operational risks. During the fifth wave of COVID-19 in Hong Kong, we implemented a wide range of cleaning and sanitisation initiatives to keep passengers and staff safe during the pandemic. Although the risk posed by COVID-19 to local public health has declined since the end of 2022, we will conduct regular reviews of our health and safety practices to ensure that they are in line with global standards and our own Corporate Safety Policy.

MTR also aims to create opportunities for its communities and business partners. We continued the "'Train' for Life's Journeys" programme, a series of visits and activities for secondary school students featuring career and life planning advice as well as career sharing at MTR. We are also collaborating with Hong Kong Science and Technology Parks and Hong Kong Cyberport to explore opportunities in innovative technologies, data collaboration, and investments in technology ventures and start-ups. In addition, we sponsored the "She Loves Tech 2022" Global Startup Competition and Global Conference for female entrepreneurs.

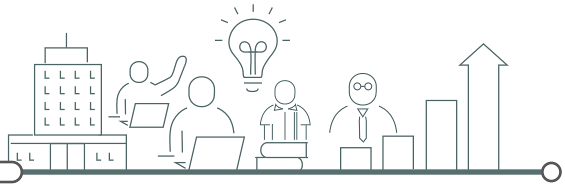
Governance

Our corporate governance framework supports our ESG initiatives while ensuring ethical and transparent business operations. In 2022, we further strengthened our governance efforts by implementing a new Board Committee structure designed to optimise the decision-making processes of the Board and help achieve the governance goals set out in our Corporate Strategy.

Strong corporate governance is at the heart of our business and decision-making, ensuring that we operate ethically and transparently to safeguard the interests of our shareholders and stakeholders. We were proud to receive a number of well-recognised awards locally and globally during the year, including the "Best Public Service Financial Management Team Hong Kong 2022" and "Most Innovative Transport Solutions Global 2022" awards from Capital Finance International.

To ensure business continuity, strong corporate reputation, legal compliance, and health and safety for customers and staff, we regularly review MTR's enterprise risk management framework and the Company's risk profile, top risks and key emerging risks, including ESG-related risks. Our "three lines of defence" model, which is aligned with international best practice, enhances our governance and risk management practices, including identifying and addressing unmitigated material risks.

HUMAN RESOURCES

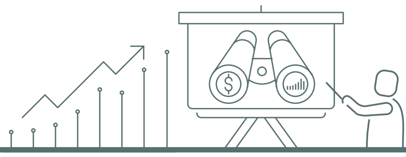


As a good and caring employer, MTR strives to foster Advancement & Opportunities for staff and the communities we serve. We invest significantly in our staff's learning and development by offering a comprehensive range of training programmes. To boost our talent recruitment and retention efforts, we provide competitive pay and benefits, short- and long-term incentive schemes, and a broad range of career development opportunities. We recognise the dedicated work of our staff through a performance-based pay review mechanism as well as a variety of motivational schemes and awards. We also have in place a wide range of policies designed to ensure that MTR is a progressive and family-friendly place to work.

We greatly value the opinions of our staff. Following our most recent Employee Engagement Survey in December 2021, we formulated and implemented follow-up action plans at both the corporate and business unit/ function levels to convey to our staff that they are valued members of the Company and that we are eager to make MTR an even better place to work. In December 2022, we conducted a pulse survey to track our progress with these efforts.

As at 31 December 2022, the Company and its subsidiaries employed 16,804 people in Hong Kong and 15,504 people outside Hong Kong. Our associates and joint ventures employed an additional 20,735 people in Hong Kong and worldwide. In 2022, the voluntary staff turnover rate in Hong Kong was 7.5%.

OUTLOOK



In late December 2022, restrictions on international arrivals to Hong Kong were lifted, and by February 2023, cross-boundary transport channels between Hong Kong and Mainland China had largely resumed. These developments are sure to be a boon for both the Hong Kong economy and MTR. Chinese and international visitors are, historically, one of the contributors to our rail fare revenue and Duty Free non-fare business. As the world transitions towards a more manageable, endemic era of COVID-19, we are hopeful that it spurs an economic recovery where improved consumer sentiment drives the revitalisations of the travel, tourism and retail industries, which would benefit our recurrent businesses. However, expectations in the near term still must be tempered, given the current uncertainty of the global economy, inflationary trends, rising interest rates and heightened geopolitical tensions.

While the railway incidents that occurred in the last quarter of 2022 are concerning, we also view them as important learning opportunities in our quest for continuous improvement as a world-leading provider of mass transit services. We are currently engaged in a comprehensive review of our railway assets and maintenance management, and we will implement recommendations that can strengthen our operations and help prevent similar incidents from happening in the future. New and smart technologies will also continue to play increasingly important roles in our railway operations and maintenance.

In our property development business, subject to market conditions, we anticipate tendering out Oyster Bay Packages 1 and 2 and Tung Chung East Station Package 1 in the next 12 months or so. The three residential developments will offer a total of approximately 4,530 residential units. In addition, we plan to tender out a commercial development site in the Tung Chung East Station property development. Meanwhile, applications for pre-sale consent for THE SOUTHSIDE Package 3, LOHAS Park Package 12, Ho Man Tin Station Package 1, Tin Wing Stop and the Yau Tong Ventilation Building are in progress. Depending on construction and sale progress, we also anticipate booking initial property development profit from LOHAS Park Package 11, THE SOUTHSIDE Package 4 and Ho Man Tin Station Package 2, and booking of gain from fair value measurement from our sharing-in-kind shopping mall THE SOUTHSIDE.

Following the successful opening of the East Rail Line cross-harbour extension, we look forward to continuing our work with Government on RDS 2014 projects for Hong Kong's future railway expansion. We are excited about opportunities to work on Northern Metropolis Development Strategy projects and enhance the city's connectivity with the Pearl River Delta and Greater Bay Area. We will also continue to seek further railway and property development opportunities overseas and in Mainland China.

I would like to take this opportunity to thank Mr Roger Bayliss, who retired from the position of Capital Works Director effective 31 July 2022, and Mr Adi Lau, who retired from the position of Managing Director – Mainland China Business and Global Operations Standards effective 31 December 2022, for their contributions to the Company and its success. I would also like to welcome Mr Carl Devlin, who was appointed as Capital Works Director effective 1 August 2022, and Mr Sammy Wong, who was appointed as Mainland China Business Director effective 1 January 2023.

Despite the difficulties of the past few years, we have done our utmost to keep Hong Kong and many cities around the world moving with safe, accessible and environmentally friendly mass transit services. We have also worked hard to build a company that can succeed in generating shareholder value while creating growth opportunities for individuals and society, in favourable and challenging environments alike. I look forward to working with our Board, management and staff as we move confidently into 2023 and embrace the possibilities of more auspicious times to come.

Dr Jacob Kam Chak-pui
Chief Executive Officer
Hong Kong, 9 March 2023