



12

Railway Services in
4 Countries

3,321 km

Operating Route Length
Outside of Hong Kong

1.77 billion

Total Patronage
Outside of Hong Kong

MAINLAND CHINA AND INTERNATIONAL BUSINESSES

AIM

Our Mainland China and international businesses, together representing one of our Corporate Strategy's three core pillars, enable us to diversify our revenue streams across multiple geographies, generating shareholder value while building the MTR brand as one of the world's leading providers of environmentally friendly mass transit.

CHALLENGES

Strict anti-COVID-19 measures during most of 2022 in Mainland China once again placed pressure on patronage and revenue. Meanwhile, we continued to face increasing competition as well as challenges related to varying investment and operating models in both the Mainland China and international markets.

STRATEGIES

During the year, MTR continued to explore new transit-oriented development (“TOD”) opportunities in Mainland China, the Greater Bay Area, Europe and Australia, and the further diversification of its revenue streams through asset replacement, maintenance and public-private partnership (“PPP”) infrastructure development opportunities – all while retaining existing contracts by providing consistently excellent service.

OUTLOOK

Overall, our Mainland China and international businesses continue to represent a major part of our Corporate Strategy and future growth. To maximise their potential, we will continue to explore new opportunities in Mainland China and overseas that will help us expand our geographic footprint and widen our revenue streams. Meanwhile, we will strive as always to deliver quality railway construction, operations and maintenance services for our existing businesses.

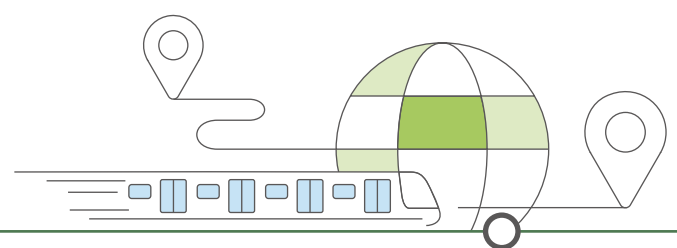
Patronage has been gradually returning following the easing or lifting of pandemic restrictions, but the extent to which it impacts revenue is dependent on the business models of different contracts. A number of concessions have been extended, and a number of new railway lines are targeted for completion soon; thus, they should begin generating revenue for the Company in the near term and beyond.

Overview

Business Review and Analysis

Corporate Governance

Financials and Other Information



MTR constructs, operates and maintains world-class railway networks in some of the world's largest and fastest-growing markets, including Mainland China, Macao, Europe and Australia. In 2022, our subsidiaries, associates and joint ventures served a total of

approximately 1.77 billion passengers, averaging approximately 5.6 million per weekday outside of Hong Kong. It also develops, rents and manages a host of residential and commercial properties in Mainland China.

RAILWAY BUSINESSES IN MAINLAND CHINA

Beijing

In Beijing, our associate operates Beijing Metro Line 4 ("BJL4"), the Daxing Line, Beijing Metro Line 14 ("BJL14"), the Northern, Middle and Southern sections of Beijing Metro Line 16 ("BJL16"), and the initial section of Beijing Metro Line 17 ("BJL17"). The average on-time performance of these lines in 2022 was 99.9%, and all achieved stable operations during the year. With waves of COVID-19 in the Mainland necessitating the reintroduction of anti-pandemic measures, patronage was substantially impacted.

Beijing Metro Line 4 and the Daxing Line
BJL4 and the Daxing Line together recorded approximately 212 million passenger trips and average weekday patronage of 675,000, representing year-on-year decreases of 33% and 31%, respectively.

Beijing Metro Line 14

In 2022, BJL14 recorded approximately 163 million passenger trips and average weekday patronage of approximately 534,000, representing year-on-year decreases of 19% and 18%, respectively.

Beijing Metro Line 16

In 2022, the Northern and Middle sections of BJL16 recorded combined passenger trips of approximately 37 million and average weekday patronage of approximately 122,000. The Southern section of BJL16

commenced passenger service in December 2022. This new 14.3-km section contains 10 stations and connects to the Northern and Middle sections, enhancing our network in Beijing and providing passengers with more commuting options. Construction on the remaining sections of BJL16 continued during the year, and the full line is expected to open in 2023.



Beijing Metro Line 17

In its first full year of operation, the Southern (initial) Section of BJL17 recorded approximately 11 million passenger trips and average weekday patronage of approximately 35,000. This 15.8-km, seven-station section serves residents living in the southeast of the city. The remaining sections of BJL17 are still under construction.

Shenzhen

Shenzhen Metro Line 4

Shenzhen Metro Line 4 (“SZL4”) is operated by our wholly owned subsidiary. During the year, both SZL4 and the SZL4 North Extension maintained stable operations and on-time train service performance of 99.9%. Patronage decreased by 21% year on year to 149 million passengers, while average weekday patronage was 451,000.

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.

Shenzhen Metro Line 13

During the year, construction on Shenzhen Metro Line 13 continued to progress with all key contracts awarded. The line is expected to commence service in 2024.

Hangzhou

Hangzhou Metro Line 1 and its Extensions

Hangzhou Metro Line 1 (“HZL1”) and its extensions, the Xiasha Extension and Airport Extension all achieved stable operations in 2022. Patronage of these lines decreased by 17% year on year to 221 million, while average weekday patronage was 639,000. On-time train service performance remained at 99.9%.

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.

Hangzhou Metro Line 5

In 2022, total patronage of Hangzhou Metro Line 5 (“HZL5”) increased by 0.5% to 187 million, while average weekday patronage was 583,000. HZL5’s Baoshanqiao Station opened on 1 April 2022.



PROPERTY BUSINESSES IN MAINLAND CHINA

Shenzhen

As at 31 December 2022, 30 out of the remaining 32 flats at the Tiara, the residential development located at SZL4 Depot Site Lot 1, had been sold. The Tiara has a total developable GFA of approximately 206,167 square metres and a retail centre of about 10,000 square metres by GFA.

Foot traffic at TIA Mall remained impacted by COVID-19 and anti-pandemic measures. The mall's average occupancy rate was 56%.

Beijing

Foot traffic at Ginza Mall continued to be impacted by COVID-19. The mall's average occupancy rate was 61%.

Tianjin

Construction of the shopping mall at Tianjin Beiyunhe Station is in progress and is expected to be completed after 2024.

Hangzhou

Construction of the Hangzhou West Station TOD project continued to make good progress during the year. The project is a mixed-use property development with a total developable GFA of about 688,210 square metres. The Company has 10% equity interest in the project.

MACAO

MTR operates and maintains the Macao Light Rapid Transit Taipa Line, Macao's first rapid transit system. MTR is also providing project management and technical

support services for the Taipa Line Extension to Barra, the Seac Pai Van Line and Hengqin Line.



EUROPE RAILWAY BUSINESSES

United Kingdom

Elizabeth Line

The Central Operating Section of the Elizabeth line owned by Transport for London (“TfL”) opened on 24 May 2022, one week following a ceremonial event attended by Queen Elizabeth II. Our wholly owned subsidiary was awarded the concession by TfL to operate the service starting from 2015 (initially under the “TfL Rail” brand name), and it also manages 28 of the line’s 41 stations. The concession agreement has now been extended by two years to May 2025. The Company’s financial interest is reasonably protected as this concession carries no fare revenue risk.

Overall, the Elizabeth line achieved stable operations during the year. In November 2022, the Elizabeth line integrated services from the east and west into new central tunnels and stations, enabling direct services from Reading and Heathrow to Abbey Wood and from Shenfield to Paddington. Services also increased to 22 trains per hour during peak hours and expanded to seven days a week in the Central Operating Section.

South Western Railway

Our associate operates the South Western Railway franchise, one of the largest rail networks in the UK, achieving stable operations outside of days that were impacted by an industry-wide strike. The National Rail Contract that was signed in May 2021 for a two-year term has now been extended for another full two-year period till May 2025 on the existing terms. Under this agreement, the UK Department for Transport retains all revenue risk and substantially all cost risk.

Sweden

MTR is the largest rail operator in Sweden by passenger volume. The Company operates four rail businesses in the country via wholly owned subsidiaries.

Stockholm Metro (Stockholms tunnelbana)

Stockholm Metro maintained steady operations during the year. Our contract for this service has been extended for a minimum of 18 months and a maximum of 24 months until 2025.

MTRX

MTRX is an intercity service between Stockholm and Gothenburg. Although the pandemic significantly impacted ticket revenue in early 2022, patronage gradually began to return following the lifting of COVID-19 restrictions in February 2022. However, there remain challenges in terms of, inter alia, energy costs, and we are studying options as to the way forward for this business.

Stockholms pendeltåg

The Stockholm commuter rail service (Stockholms pendeltåg) serves the greater Stockholm area. Operations during the year were challenging due to a shortage of operational staff and maintenance issues, and we are working hard to improve its financial performance.

Mälardalen Regional Traffic (Mälartåg)

The Mälartåg regional traffic service connects Stockholm with all major towns in the Mälardalen region. We took over the operations of Mälartåg regional traffic from December 2021. With the conclusion of the legal challenge by competing bidders, the interim agreement has reverted to an eight-year agreement with the possibility of a one-year extension. We also took over the Upptåget lines in June 2022. Performance for Mälartåg regional traffic during the year was also affected by a shortage of operational staff and maintenance issues. We are working hard to improve its financial performance.

AUSTRALIA RAILWAY BUSINESSES

Melbourne's Metropolitan Rail Service

The Melbourne metropolitan rail network, operated by our subsidiary, achieved stable operations despite anti-pandemic measures that continued to affect patronage, particularly in the first half of the year. We continue to support our client on initiatives to further improve the network. This concession has been extended by 18 months to mid-2026.

Metro North West Line in Sydney

MTR is a member of the Northwest Rapid Transit ("NRT") Consortium and is responsible for the delivery of the PPP contract, including design, financing and construction, of the Metro North West Line as well as its on-going operations and maintenance. During the year, the line achieved satisfactory operations. Patronage remained impacted by the pandemic, but there is no fare revenue risk according to the terms of this franchise. There have been more than 56 million passenger journeys since the service began in 2019.

Sydney Metro City & Southwest Project

The NRT Consortium has the PPP contract for the delivery of new metro trains and core rail systems as well as the operation and maintenance of the combined Metro North West Line and Metro City & Southwest Line until 2034. In 2022, we continued to make progress on the construction as well as the manufacturing, testing and commissioning of new, driverless trains for the Sydney Metro City & Southwest project despite pandemic-related challenges to material and talent flow. Since November 2022, new trains were gradually introduced on the Metro North West Line.



GROWTH OUTSIDE OF HONG KONG

To support our Mainland China and international businesses, we constantly strive to identify and pursue growth opportunities outside of Hong Kong that enable us to diversify our revenue streams, build the MTR brand, and bring environmentally friendly mass transit services to more and more people around the world. In 2022, we continued to discuss transport infrastructure, station

commercial and TOD opportunities in areas including Chengdu and the Guangdong – Hong Kong – Macao Greater Bay Area. We also continue to explore growth prospects overseas.

Mainland 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 China						
Beijing Metro Line 4 ("BJL4")	49%	Public-Private-Partnership ("PPP")	September 2009	30 years	24	28
Daxing Line of BJL4	49%	Operations and Maintenance ("O&M") Concession	December 2010	End together with BJL4 concession	11	22
Beijing Metro Line 14 ("BJL14")	49%	PPP	Full Line: by phases from May 2013 to December 2021	30 years from December 2015	Full Line: 37 ⁽¹⁾	Full Line: 50.8
Beijing Metro Line 16 ("BJL16")	49%	Phase 1, 2 and 3: O&M Concession Full Line: PPP	Phase 1: December 2016 Phase 2: December 2020 and December 2021 Phase 3: December 2022 Full Line: Targeted 2023	Phase 1, 2 and 3: till full line opens Full Line: 30 years	Phase 1, 2 and 3: 28 ⁽¹⁾ Full Line: 30	Phase 1, 2 and 3: 46.2 Full Line: 49.5
Beijing Metro Line 17	49%	O&M Concession	Phase 1: December 2021 Subject to local government arrangement	20 years from December 2021	Phase 1: 7 Full Line: 21	Phase 1: 15.8 Full Line: 49.7
Shenzhen Metro Line 4 ("SZL4")	100%	Build-Operate-Transfer ⁽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	2024	30 years	16	22.4
Hangzhou Metro Line 1 ("HZL1")	49%	PPP	November 2012	25 years	25 ⁽³⁾	35.6 ⁽³⁾
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 ⁽⁴⁾	Initial Section: June 2019 Latter Section (Included West Extension): April 2020	25 years	40 ⁽⁵⁾	58.2
Macao						
Macao Light Rapid Transit Taipa Line	100%	O&M Service Contract	December 2019	80 months	11	9.3
Europe						
Elizabeth Line, United Kingdom	100%	O&M Concession	May 2015	8 years till 2023, 2 years extension till 2025	41	128
South Western Railway, United Kingdom	30%	O&M Concession ⁽⁵⁾	May 2021	2 years till 2023, 2 years extension till 2025	210	998
Stockholm Metro, Sweden	100%	O&M Concession	November 2009	8 years till 2017, 6 years extension till 2023 and 1.5 – 2 years extension till 2025 ⁽⁶⁾	100	108
MTRX, Sweden	100%	Open Access Operation	Initial service: March 2015 Full schedule: August 2015	Operating license is subject to renewal	10	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	45	1,060
Australia						
Melbourne's Metropolitan Rail Service	60%	O&M Concession	November 2009	8 years till 2017, 7 years extension till 2024 and 18 months extension till 2026	222	432
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:

- BJL14 Phase 2 East Section has 12 stations, 11 opened and one bypassed currently. BJL14 Phase 3 Middle Section has 13 stations, ten opened and three bypassed currently. BJL16 Phase 2 has eight stations, six opened and two bypassed currently. BJL16 Phase 3 has ten stations, nine opened and one bypassed currently.
- 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. SZL4 North Extension assets are owned by the Shenzhen Municipal Government and MTR Corporation (Shenzhen) Limited was granted operations and maintenance.
- HZL1 Linping Section became an independent operation under Hangzhou Metro Line 9 in July 2021.
- HZL5 West Extension is out of PPP scope.
- One station of HZL5 is under construction.
- In December 2021, public transport authority decided to extend this contract for a minimum of 18 months and a maximum of 24 months.