



MAINLAND CHINA AND INTERNATIONAL BUSINESSES



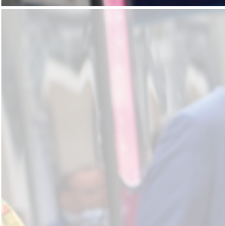
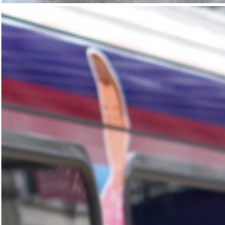
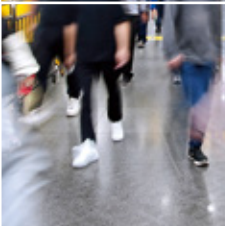
12
Railway Services
in 4 Countries in 2023



2.37 billion
Total Patronage
Outside of Hong Kong



3,339 km
Operating Route Length
Outside of Hong Kong



AIM

MTR's Mainland China and international businesses enable the Company to bring its expertise in safe, reliable, low-carbon rail transit to major markets outside Hong Kong – thus providing diversified revenue streams, supporting a key growth pillar and promoting the MTR brand internationally.

CHALLENGES

During the year, the Company continued to face challenges related to the varying investment models in its Mainland China and international markets. Increased competition and external issues also affected financial performance.

STRATEGIES

To further grow our business outside Hong Kong, we continued pursuing new transit-oriented development (“TOD”) opportunities as well as asset replacement, maintenance, and public-private partnership (“PPP”) infrastructure development opportunities in Mainland China, the Greater Bay Area and internationally. As always, the Company strove to fulfil its existing contracts around the world with impeccable service delivery.

OUTLOOK

With the lifting of pandemic-related measures and restrictions, patronage for our services in Mainland China, Europe and Australia is expected to continue improving. However, the extent to which this benefits us remains largely dependent on the specific business contracts where we are operating. Meanwhile, we will continue to seek TOD and PPP opportunities outside of Hong Kong that can generate and diversify revenue while helping us build the MTR brand internationally.

BUSINESS REVIEW

MAINLAND CHINA AND INTERNATIONAL BUSINESSES

MTR builds, operates and maintains world-class railway networks in Mainland China, Macao, Europe and Australia. In 2023, the Company and its subsidiaries, associates and joint ventures served a total of approximately 2.37 billion passengers, averaging approximately 7.2 million per weekday outside of Hong Kong. The Company is also engaged in the development and rental 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”), Beijing Metro Line 16 (“BJL16”), and the Southern and Northern Sections of Beijing Metro Line 17 (“BJL17”). The average on-time performance of these lines in 2023 was 99.9%, and all achieved stable operations during the year. Patronage increased compared to 2022 as the pandemic subsided.

Beijing Metro Line 4 and the Daxing Line

BJL4 and the Daxing Line together recorded approximately 336 million passenger trips and average weekday patronage of 998,000, representing year-on-year increases of 58% and 48%, respectively.

Beijing Metro Line 14

BJL14 recorded approximately 254 million passenger trips and average weekday patronage of 797,000, representing year-on-year increases of 56% and 49%, respectively.

Beijing Metro Line 16

BJL16 Erligou Station opened in March 2023. BJL16’s remaining section – which includes two stations and connects the line’s first three phases – and the new Suzhou Jie Station opened in December 2023. Together, these openings marked the commencement of the full-line service of the 48.9-km BJL16, a backbone line of Beijing’s metro network that serves commuters in key development areas of both northern and southern Beijing. In 2023, the Northern, Middle and Southern sections of BJL16 recorded combined passenger trips of approximately 80 million and average weekday patronage of 252,000.

Beijing Metro Line 17

After the opening of the Southern Section of BJL17 in December 2021, the 24.9-km, nine-station new Northern Section of BJL17 opened in December 2023, connecting Beijing Future Science and Technology City with several large residential areas and commercial districts. The remaining sections remain under construction. The Southern Section of BJL17 recorded approximately 20 million passenger trips and average weekday patronage of 63,000 in 2023.





Shenzhen

Shenzhen Metro Line 4

Shenzhen Metro Line 4 (“SZL4”), including the SZL4 North Extension, is operated by our wholly owned subsidiary. The line maintained stable operations in 2023, and on-time train service performance exceeded 99.9%. Patronage increased by 43% year on year to 213 million passengers, while average weekday patronage was 596,000.

As previously stated, there has been no fare increase for SZL4 since we began operating the line in 2010. We anticipate that the mechanism and procedures for fare adjustments will take a longer time to implement and that patronage will remain at a lower level for longer than expected. Hence, an impairment provision of HK\$962 million was recognised for the SZL4 service concession assets in the first half of 2022.

Shenzhen Metro Line 13

Shenzhen Metro Line 13 remains under construction as planned and all key contracts have been awarded.

Hangzhou

Hangzhou Metro Line 1 and Its Extensions

Hangzhou Metro Line 1 (“HZL1”), the Xiasha Extension and Airport Extension achieved stable operations in 2023 with on-time performance exceeding 99.9%. Patronage for these lines increased by 40% year on year to 309 million, while average weekday patronage was 850,000.

As mentioned in previous reports, HZL1 has been suffering from losses for many of the past several years due to slow growth in patronage, especially during the pandemic. Because there is no patronage protection mechanism under this concession agreement, the line’s long-term financial viability will be impacted if patronage remains at a lower level over a further period of time, especially when the lower average fare resulting from the expanded network is taken into consideration.

Hangzhou Metro Line 5

In 2023, total patronage of Hangzhou Metro Line 5 increased by 20% year on year to 223 million, while average weekday patronage was 668,000.

PROPERTY AND OTHER BUSINESSES IN MAINLAND CHINA

Shenzhen

The Tiara, the residential development located at SZL4 Depot Site Lot 1, 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 experienced gradual recovery in 2023 as the pandemic subsided. The mall's average occupancy rate was 68%.

Beijing

Foot traffic at Ginza Mall began to recover in 2023 following the pandemic. The mall's average occupancy rate was 61%.

Tianjin

Construction of the shopping mall at Tianjin Beiyunhe Station is targeted for completion in 2024.

The Company is currently studying possible strategic options for all its malls in Mainland China in light of challenging retail property market conditions.

The Company exited the property management business in Shenzhen and Beijing in the second half of 2023.

Hangzhou

We continued to progress the Hangzhou West Station TOD project during the year.

Chengdu

We are progressing the station commercial business in Chengdu under our joint venture with Chengdu Rail Transit Group. We are also exploring station commercial business opportunities in other cities in Mainland China.

MACAO

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line, which was officially extended to Barra Station on 8 December 2023. This service contract for operations and maintenance will end in 2024. The process of transferring operations and maintenance works, along with associated staff, to Macao Light Rapid Transit Corporation Limited has already commenced. This transfer will be carried out in a phased manner to ensure a seamless and smooth handover and is expected to be completed in 2024. MTR is also providing project management and technical support services for the Taipa Line Extension to Barra, Seac Pai Van Line and Hengqin Line.



EUROPE RAILWAY BUSINESSES

United Kingdom

Elizabeth Line

The concession to operate the Elizabeth line has been extended to May 2025 in 2022. Although the line's operations were affected by infrastructural performance during the year, the Company's financial interest is reasonably protected as this concession carries no fare revenue risk. The final full peak timetable was introduced in May, increasing peak-time frequencies to 24 trains per hour from 22 in each direction between Paddington and Whitechapel stations. On 4 May, the Prince and Princess of Wales took their first-ever trips on the Elizabeth line.

South Western Railway

Our associate operates the South Western Railway, one of the UK's largest rail networks, and achieved stable service in 2023. Under the National Rail Contract that was extended in February 2023 by two years till May 2025, the UK Department for Transport retains all revenue risk and substantially all cost risk for this service.

Sweden

In 2023, MTR operated four rail businesses in the country via wholly owned subsidiaries and was the largest rail operator in Sweden by passenger volume.

Stockholm Metro (Stockholms tunnelbana)

Stockholm Metro maintained steady operations during 2023. Our contract for this service runs to 2025. Our bid for the new Stockholm Metro service contract was unsuccessful.

MTRX

MTRX is an intercity service between Stockholm and Gothenburg. Passenger levels at MTRX began to recover gradually after the pandemic, and the service achieved stable operations over the course of the year.

On 8 February 2024, we entered into an agreement to divest of MTRX. The transaction is expected to be completed by the end of May 2024, following regulatory approval. Subject to the completion of the transaction, the gain to be recognised in 2024 arising from the transaction is not expected to be material.

Stockholms pendeltåg

The Stockholm commuter rail service (Stockholms pendeltåg) serves the greater Stockholm area. Operational challenges persisted in 2023 due to driver shortages and various maintenance issues. In November 2023, MTR entered into a supplemental agreement with AB Storstockholms Lokaltrafik (the Stockholm Public Transport Authority) for early termination of the concession for Stockholms pendeltåg effective 2 March 2024. A loss provision of HK\$702 million from the early termination was recognised in 2023.

Mälardalen Regional Traffic (Mälartåg)

The Mälartåg regional traffic service connects Stockholm with all major towns in the Mälardalen region. We took over Mälartåg regional traffic operations from December 2021 under an eight-year agreement with the possibility of a one-year extension. In 2023, this service continued to face operational challenges due to driver shortages and maintenance issues and a loss provision of HK\$320 million was recognised. In February 2024, we entered into a supplemental agreement with our client, Mälardalstrafik, for early termination of the concession effective 16 June 2024.



■ AUSTRALIA RAILWAY BUSINESSES

Melbourne's Metropolitan Rail Service

The Melbourne metropolitan rail network, operated by our subsidiary, achieved stable operations in 2023. The concession for this service has been extended for 18 months to run until mid-2026. We also continue to support our client, the Victoria State Government, on various initiatives to improve the network, including the 9km-long Metro Tunnel, which will provide a new railway connection through Melbourne's central business district and boost capacity by more than half a million passengers a week. The tunnel is scheduled to open in 2025.

Sydney Metro North West Line

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, for the Metro North West Line as well as the line's on-going operations and maintenance. The Sydney Metro North West Line achieved stable operations and a high level of customer satisfaction during the year.

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 April, we began dynamic testing for Phase 1 of the City Section with the first trains running under Sydney Harbour. Passenger services are expected to start in 2024.

■ GROWTH OUTSIDE OF HONG KONG

In July 2023, the Company signed a Memorandum of Understanding with Malaysia's MRT Corporation. The two parties will be working to develop a collaboration framework for a TOD project adjacent to the new terminal station of a new rapid transit line in Malaysia. Meanwhile, we continued to seek other growth opportunities in Mainland China, including the Greater Bay Area, as well as 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%	Full Line: PPP	Full Line: by phases from December 2016 to December 2023	30 years from January 2024	Full Line: 30 ⁽¹⁾	Full Line: 48.9
Beijing Metro Line 17 ("BJL17")	49%	O&M Concession	Phase 1: December 2021 Phase 2: December 2023 Subject to local government arrangement	20 years from December 2021	Phase 1: 7 Phase 2: 10 ⁽¹⁾ Full Line: 21	Phase 1: 15.8 Phase 2: 24.9 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: 19.9
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 ⁽⁴⁾	56.2
Macao						
Macao Light Rapid Transit Taipa Line	100%	O&M Service Contract	December 2019	80 months	12	12.5
Europe						
Elizabeth Line, United Kingdom	100%	O&M Concession	May 2015	8 years till 2023, 2 years extension till 2025	41	118
South Western Railway, United Kingdom	30%	O&M Concession	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 ⁽⁵⁾	100	108
MTRX, Sweden	100%	Open Access Operation	Initial service: March 2015 Full schedule: August 2015	Operating license is subject to renewal ⁽⁶⁾	10	462
Stockholm commuter rail, Sweden	100%	O&M Concession	December 2016	10 years ⁽⁷⁾	54	247
Mälartåg, Sweden	100%	O&M Concession	December 2021	8 years ⁽⁸⁾	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 3 has ten stations, nine opened and one bypassed currently. BJL17 Phase 2 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, the public transport authority decided to extend this contract for a minimum of 18 months and a maximum of 24 months.
- On 8 February 2024, we entered into an agreement to divest of MTRX. The transaction is expected to be completed by the end of May 2024 following regulatory approval.
- In November 2023, MTR entered into a supplemental agreement with AB Storstockholms Lokaltrafik (the Stockholm Public Transport Authority) for early termination of the Stockholms pendeltåg concession effective 2 March 2024.
- In February 2024, we entered into a supplemental agreement with Mälardalsstrafik for early termination of the Mälartåg concession effective 16 June 2024.