

新聞稿

Press Release

PR016/23
9 March 2023

MTR CORPORATION LIMITED

香港鐵路有限公司

(the "Company")
 (Incorporated in Hong Kong with limited liability)
 (Stock Code: 66)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

RESULTS

HK\$ million	Year ended 31 December		Favourable / (unfavourable) change
	2022	2021	
Total revenue	47,812	47,202	1.3%
Profit from recurrent businesses	157	1,808	(91.3)%
Profit from property development	10,480	9,343	12.2%
Loss from fair value measurement of investment properties	(810)	(1,599)	49.3%
Net profit attributable to shareholders of the Company	9,827	9,552	2.9%

- Excluding the impairment provision of HK\$962 million made in respect of Shenzhen Metro Line 4 ("SZL4") in the first half of 2022, recurrent profit would have decreased by 38.1% and net profit increased by 13.0%
- Final ordinary dividend of HK\$0.89 per share recommended. Total ordinary dividend for the year of HK\$1.31 per share, representing an increase of 3.1% over that of 2021

HIGHLIGHTS

Hong Kong Businesses

- Hong Kong transport operations, station commercial and property rental businesses have been adversely affected by the fifth wave of the pandemic. Though patronage of Hong Kong Transport Services in February and March 2022 reduced to the lowest level since the outbreak of COVID-19, gradual recovery has been seen following the gradual lifting of various anti-epidemic measures
- Train service delivery and passenger journeys on-time in heavy rail maintained at 99.9% world-class level
- East Rail Line Cross-Harbour Extension opened in May 2022, increasing both options and convenience to our passengers commuting between the north and the south
- New eight-car Q-trains have been gradually phased in for service on the Kwun Tong Line since November 2022, providing passengers with enhanced travelling experience
- Hong Kong property development profit of HK\$10.4 billion mainly derived from LP10 (LOHAS Park Package 10), SOUTHLAND (THE SOUTHSIDE Package 1) and La Marina (THE SOUTHSIDE Package 2). Pak Shing Kok Ventilation Building and Tung Chung Traction Substation property projects were tendered out in 2022

HIGHLIGHTS (continued)

Hong Kong Businesses (continued)

- Initial booking of Tai Wai property project was made predominantly on the gain from fair value measurement of our sharing-in-kind (i.e. The Wai shopping mall)
- Entered into project agreements with the Government for Oyster Bay Station and Tung Chung Line Extension

Mainland China and International Businesses

- Central Operating Section of the Elizabeth line commenced service, transforming travel across London and the South East
- Took over Upptåget lines as part of Mälartåg regional traffic
- Southern section of Beijing Metro Line 16 opened
- An impairment provision of HK\$962 million has been made for Shenzhen Metro Line 4 in the first half

Outlook

- In 2022, the Company strengthened our commitment to ESG, the backbone of our Corporate Strategy, by defining 10 commitments and 35 key performance indicators across our three objectives: Greenhouse Gas Emissions Reduction, Social Inclusion, and Advancement and Opportunities. The Company has 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 have been submitted to the Science Based Targets initiative for validation
- Our recurrent businesses would benefit from the revitalisations of the travel, tourism and retail industries when the world transits towards a more manageable endemic era of COVID-19
- Initial property development profit booking from LOHAS Park Package 11, THE SOUTHSIDE Package 4 and Ho Man Tin Station Package 2, and booking of THE SOUTHSIDE shopping mall will be dependent on construction and sales progress
- Subject to market conditions, we anticipate tendering out Oyster Bay Property Development Packages 1 and 2, and Tung Chung East Station Package 1 in the coming 12 months or so

The Directors of the Company announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

HK\$ million	Year ended 31 December	
	2022	2021
Revenue from Hong Kong transport operations	13,404	13,177
Revenue from Hong Kong station commercial businesses	3,077	3,208
Revenue from Hong Kong property rental and management businesses	4,779	5,036
Revenue from Mainland China and international railway, property rental and management subsidiaries	26,016	25,045
Revenue from other businesses	363	383
	47,639	46,849
Revenue from Mainland China property development	173	353
Total revenue	47,812	47,202
Expenses relating to Hong Kong transport operations		
- Staff costs and related expenses	(6,341)	(6,155)
- Maintenance and related works	(2,221)	(2,339)
- Energy and utilities	(1,991)	(1,801)
- General and administration expenses	(878)	(838)

HK\$ million	Year ended 31 December	
	2022	2021
- Stores and spares consumed	(636)	(588)
- Railway support services	(186)	(244)
- Government rent and rates	(155)	(156)
- Other expenses	(305)	(222)
	<u>(12,713)</u>	<u>(12,343)</u>
Expenses relating to Hong Kong station commercial businesses	(522)	(480)
Expenses relating to Hong Kong property rental and management businesses	(964)	(970)
Expenses relating to Mainland China and international railway, property rental and management subsidiaries	(24,751)	(24,155)
Expenses relating to other businesses	(511)	(570)
Project study and business development expenses	(326)	(312)
	<u>(39,787)</u>	<u>(38,830)</u>
Expenses relating to Mainland China property development	(114)	(224)
Operating expenses before depreciation, amortisation and variable annual payment	(39,901)	(39,054)
Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment		
- Arising from recurrent businesses	7,852	8,019
- Arising from Mainland China property development	59	129
	<u>7,911</u>	<u>8,148</u>
Hong Kong property development profit from share of surplus and interest in unsold properties	11,589	11,097
Loss from fair value measurement of investment properties	(810)	(1,616)
Operating profit before depreciation, amortisation and variable annual payment	18,690	17,629
Depreciation and amortisation	(5,769)	(5,430)
Impairment loss	(962)	-
Variable annual payment	(323)	(260)
Share of profit of associates and joint ventures	1,095	968
Profit before interest, finance charges and taxation	12,731	12,907
Interest and finance charges	(982)	(967)
Profit before taxation	11,749	11,940
Income tax	(1,608)	(2,261)
Profit for the year	10,141	9,679
Attributable to:		
- Shareholders of the Company	9,827	9,552
- Non-controlling interests	314	127
Profit for the year	10,141	9,679

HK\$ million

Year ended 31 December
2022

2021

Profit / (loss) for the year attributable to shareholders of the Company:

- Arising from recurrent businesses		
- in Hong Kong	384	979
- outside Hong Kong	(227)	829
	157	1,808
- Arising from property development		
- in Hong Kong	10,413	9,277
- outside Hong Kong	67	66
	10,480	9,343
- Arising from underlying businesses	10,637	11,151
- Arising from fair value measurement of investment properties	(810)	(1,599)
	9,827	9,552
	9,827	9,552

Earnings per share:

- Basic	HK\$1.59	HK\$1.55
- Diluted	HK\$1.59	HK\$1.54
	HK\$1.59	HK\$1.54

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK\$ million	Year ended 31 December	
	2022	2021
Profit for the year	10,141	9,679
Other comprehensive (loss) / income for the year (after taxation and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
- Surplus on revaluation of self-occupied land and buildings	43	119
- Remeasurement of net asset / liability of defined benefit schemes	(117)	253
	(74)	372
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences on translation of:		
- financial statements of subsidiaries, associates and joint ventures outside Hong Kong	(1,713)	279
- non-controlling interests	(11)	3
- Cash flow hedges: net movement in hedging reserve	82	(143)
	(1,642)	139
	(1,716)	511
Total comprehensive income for the year	8,425	10,190
Attributable to:		
- Shareholders of the Company	8,122	10,060
- Non-controlling interests	303	130
Total comprehensive income for the year	8,425	10,190

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$ million	At 31 December 2022	At 31 December 2021
Assets		
Fixed assets		
- Investment properties	91,671	84,801
- Other property, plant and equipment	102,297	101,517
- Service concession assets	35,523	34,714
	<u>229,491</u>	<u>221,032</u>
Goodwill and property management rights	61	69
Railway construction in progress	-	-
Property development in progress	41,269	11,215
Deferred expenditure	2,540	1,964
Interests in associates and joint ventures	12,338	12,442
Deferred tax assets	606	599
Investments in securities	959	1,479
Properties held for sale	1,888	639
Derivative financial assets	216	363
Stores and spares	2,261	2,129
Debtors and other receivables	13,889	14,797
Amounts due from related parties	5,429	4,384
Cash, bank balances and deposits	16,134	20,970
	<u>327,081</u>	<u>292,082</u>
Liabilities		
Short-term loans	1,592	1,650
Creditors, other payables and provisions	69,692	40,077
Current taxation	2,953	2,381
Amounts due to related parties	592	479
Loans and other obligations	46,254	42,102
Obligations under service concession	10,142	10,231
Derivative financial liabilities	1,104	561
Loans from holders of non-controlling interests	140	146
Deferred tax liabilities	14,700	14,418
	<u>147,169</u>	<u>112,045</u>
Net assets	<u>179,912</u>	<u>180,037</u>
Capital and reserves		
Share capital	60,547	60,184
Shares held for Executive Share Incentive Scheme	(262)	(245)
Other reserves	119,001	119,775
Total equity attributable to shareholders of the Company	<u>179,286</u>	<u>179,714</u>
Non-controlling interests	<u>626</u>	<u>323</u>
Total equity	<u>179,912</u>	<u>180,037</u>

Notes:

1. AUDITOR'S REPORT

The consolidated financial statements for the year ended 31 December 2022 have been audited in accordance with Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Company's auditor, KPMG. Unmodified auditor's report of KPMG is included in the annual report to be sent to shareholders. The consolidated financial statements have also been reviewed by the Company's Audit & Risk Committee.

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022, as set out in this preliminary announcement, have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

2. BASIS OF PREPARATION

This preliminary announcement of the Company's annual results has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the financial years ended 31 December 2022 and 2021 included in this preliminary announcement of the annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.
- The Company's auditor has reported on those consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these have had a material effect on the Group's results and financial position.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. RETAINED PROFITS

The movements of the retained profits during the years ended 31 December 2022 and 2021 are as follows:

HK\$ million	Year ended 31 December	
	2022	2021
Balance as at 1 January	115,439	113,243
Profit for the year attributable to shareholders of the Company	9,827	9,552
Other comprehensive (loss) / income arising from remeasurement of net asset / liability of defined benefit schemes	(117)	253
Vesting and forfeiture of award shares of Executive Share Incentive Scheme	(3)	(3)
Dividends declared and approved, net of scrip dividend for shares held for Executive Share Incentive Scheme	(8,918)	(7,606)
Balance as at 31 December	<u>116,228</u>	<u>115,439</u>

4. HONG KONG PROPERTY DEVELOPMENT PROFIT FROM SHARE OF SURPLUS AND INTEREST IN UNSOLD PROPERTIES

Hong Kong property development profit from share of surplus and interest in unsold properties comprises:

HK\$ million	Year ended 31 December	
	2022	2021
Share of surplus and interest in unsold properties from property development	11,473	11,048
Agency fee and other income from West Rail property development	128	67
Overheads and miscellaneous studies	(12)	(18)
Hong Kong Property Development Profit (Pre-tax)	<u>11,589</u>	<u>11,097</u>
Hong Kong Property Development Profit (Post-tax)	<u>10,413</u>	<u>9,277</u>

Profit attributable to shareholders of the Company arising from Hong Kong property development for the year ended 31 December 2022 of HK\$10,413 million (2021: HK\$9,277 million) represents Hong Kong property development profit of HK\$11,589 million (2021: HK\$11,097 million) and related income tax expenses of HK\$1,176 million (2021: HK\$1,820 million).

5. LOSS FROM FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES

Loss from fair value measurement of investment properties comprises:

HK\$ million	Year ended 31 December	
	2022	2021
Loss from fair value remeasurement on investment properties	(3,076)	(2,161)
Gain from fair value measurement of investment properties on initial recognition from property development	2,266	545
	(810)	(1,616)

6. INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

HK\$ million	Year ended 31 December	
	2022	2021
Current tax		
- Hong Kong Profits Tax	989	1,803
- Tax outside Hong Kong	413	375
	1,402	2,178
Deferred tax		
- Origination and reversal of temporary differences on:		
- tax losses	(44)	36
- depreciation allowances in excess of related depreciation	359	302
- revaluation of properties	17	(30)
- provisions and others	(126)	(225)
	206	83
	1,608	2,261

Except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime in Hong Kong, the provision for Hong Kong Profits Tax for the year ended 31 December 2022 is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the year after deducting accumulated tax losses brought forward, if any. Under the two-tiered Profits Tax rate regime, the Company's first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated on the same basis in 2022 and 2021.

Current taxes for subsidiaries outside Hong Kong are charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

Provision for deferred tax on temporary differences arising in Hong Kong is calculated at the Hong Kong Profits Tax rate at 16.5% (2021: 16.5%), while that arising outside Hong Kong is calculated at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

Since the Rail Merger in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of the amortisation of upfront payment and cut-over liabilities, and fixed annual payments and variable annual 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. As disclosed in previous years, the Inland Revenue Department of Hong Kong (“IRD”) issued notices of profits tax assessments/additional profits tax assessments for the years of assessment from 2009/2010 to 2017/2018 disallowing deduction of the Sums in the computation of the Company’s assessable profits. Based on the strength of advice from the external legal counsels and tax advisor, the Company has lodged objections against these tax assessments (regarding the deductibility of the Sums) and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover of the additional tax demanded subject to the purchases of tax reserve certificates (“TRCs”) amounting to HK\$2.3 billion. The Company has purchased the required TRCs and the additional tax demanded has been held over by IRD. The purchases of TRCs do not prejudice the Company’s tax position and the purchased TRCs were included in “Debtors and other receivables” in the Group’s consolidated statement of financial position.

On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing with the objections lodged by the Company and confirming profits tax assessment/additional profits tax assessments in respect of the Sums in dispute for the years of assessment from 2011/2012 to 2017/2018 (i.e. holding that the Sums are not deductible in the computation of the Company’s assessable profits for those years of assessment). The Company re-affirmed the case with the external legal counsel who advised the Company previously and the tax advisor, and obtained further advice from another external legal counsel. Based on the advice from the external legal counsels and tax advisor, the directors of the Company believe that the Company has strong legal grounds and have determined to contest and appeal against the assessments for the years of assessment from 2011/2012 to 2017/2018. Accordingly, the Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022. No additional tax provision has been made as a result of the determination received in respect of the above notices of profits tax assessments/additional profits tax assessments and other relevant years of assessment. The date of hearing before the Board of Review is scheduled to be held in early 2024.

7. DIVIDEND

Ordinary dividends paid and proposed to shareholders of the Company comprise:

HK\$ million	Year ended 31 December	
	2022	2021
Ordinary dividends attributable to the year		
- Interim ordinary dividend declared and paid of HK\$0.42 (2021: HK\$0.25) per share	2,604	1,548
- Final ordinary dividend proposed after the end of the reporting period of HK\$0.89 (2021: HK\$1.02) per share	5,520	6,317
	8,124	7,865
Ordinary dividends attributable to the previous year		
- Final ordinary dividend of HK\$1.02 (2021: HK\$0.98 per share attributable to year 2020) per share approved and paid during the year	6,317	6,060

The final ordinary dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

The Board has recommended to pay a final dividend of HK\$0.89 per share and proposes that a scrip dividend option will be offered to all shareholders of the Company (except for those with registered addresses in New Zealand or the United States of America or any of its territories or possessions). Subject to the approval of the shareholders at the Company's forthcoming Annual General Meeting, the proposed 2022 final dividend, with a scrip dividend option, is expected to be distributed on 18 July 2023 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 5 June 2023.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the year ended 31 December 2022 of HK\$9,827 million (2021: HK\$9,552 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the year amounting to 6,190,902,155 shares (2021: 6,181,426,675 shares).

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company for the year ended 31 December 2022 of HK\$9,827 million (2021: HK\$9,552 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the year after adjusting for the dilutive effect of the Company's Executive Share Incentive Scheme amounting to 6,196,797,798 shares (2021: after adjusting for the dilutive effect of the Company's share option scheme and Executive Share Incentive Scheme amounting to 6,187,030,555 shares).

Both basic and diluted earnings per share would have been HK\$1.72 (2021: HK\$1.80), if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK\$10,637 million (2021: HK\$11,151 million).

9. SEGMENTAL INFORMATION

The Group's businesses consist of (i) recurrent businesses (comprising Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, and other businesses (collectively referred to as "recurrent businesses in Hong Kong"), and Mainland China and international railway, property rental and management businesses (referred as "recurrent businesses outside of Hong Kong"), and both excluding fair value measurement of investment properties) and (ii) property development businesses (together with recurrent businesses referred to as "underlying businesses").

The Group manages its businesses by the various business executive committees. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

- (i) Hong Kong transport operations: The provision of passenger operation and related services on the domestic mass transit railway system in Hong Kong, the Airport Express serving both the Hong Kong International Airport and the AsiaWorld-Expo at Chek Lap Kok, cross-boundary railway connection with the Mainland China at Lo Wu and Lok Ma Chau, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), light rail and bus feeder with railway system in the north-west New Territories and intercity railway transport with certain cities in the Mainland China.
- (ii) Hong Kong station commercial businesses: Commercial activities including the letting of advertising, retail and car parking spaces at railway stations, the provision of telecommunication, bandwidth and data centre services in railway and other premises, and other commercial activities within the Hong Kong transport operations network.
- (iii) Hong Kong property rental and management businesses: The letting of retail, office and car parking spaces and the provision of estate management services in Hong Kong.
- (iv) Hong Kong property development: Property development activities at locations near the railway systems in Hong Kong.
- (v) Mainland China and international railway, property rental and management businesses: The construction, operation and maintenance of mass transit railway systems including station commercial activities outside of Hong Kong and the letting of retail spaces and provision of estate management services in the Mainland China.
- (vi) Mainland China property development: Property development activities in the Mainland China.
- (vii) Other businesses: Businesses not directly relating to transport services or properties such as Ngong Ping 360, which comprises cable car operation in Tung Chung and related businesses at the Ngong Ping Theme Village, railway consultancy business, investment in Octopus Holdings Limited and the provision of project management services to the Government of the Hong Kong Special Administrative Region (the "HKSAR Government" or "Government").

The results of the reportable segments and reconciliation to the corresponding consolidated totals in the consolidated financial statements are shown below:

HK\$ million	Revenue		Contribution to profit / (loss)	
	Year ended 31 December 2022	2021	Year ended 31 December 2022	2021
Hong Kong transport services				
- Hong Kong transport operations	13,404	13,177	(4,733)	(4,262)
- Hong Kong station commercial businesses	3,077	3,208	2,270	2,488
	16,481	16,385	(2,463)	(1,774)
Hong Kong property rental and management businesses	4,779	5,036	3,800	4,048
Mainland China and international railway, property rental and management businesses*	26,016	25,045	962	622
Mainland China property development	173	353	59	129
Other businesses	363	383	(213)	(255)
	47,812	47,202	2,145	2,770
Hong Kong property development			11,589	11,097
Project study and business development expenses			(326)	(312)
Loss from fair value measurement of investment properties			(810)	(1,616)
Impairment loss			(962)	-
Share of profit of associates and joint ventures			1,095	968
Profit before interest, finance charges and taxation			12,731	12,907
Interest and finance charges			(982)	(967)
Income tax			(1,608)	(2,261)
Profit for the year			10,141	9,679

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

Profit attributable to shareholders of the Company arising from property development for the year ended 31 December 2022 of HK\$10,480 million (2021: HK\$9,343 million) represents Hong Kong property development profit of HK\$11,589 million (2021: HK\$11,097 million), Mainland China property development profit of HK\$59 million (2021: HK\$129 million) and the related interest, finance charges and income tax expenses of HK\$1,168 million (2021: HK\$1,883 million).

Loss attributable to shareholders of the Company arising from fair value measurement of investment properties of HK\$810 million (2021: HK\$1,599 million) represents loss from fair value remeasurement on investment properties of HK\$3,076 million (2021: HK\$2,161 million), gain from fair value measurement of investment properties on initial recognition from property development of HK\$2,266 million (2021: HK\$545 million) and related income tax of HK\$nil (2021: related income tax credit of HK\$17 million).

HK\$ million	Assets		Liabilities	
	At 31 December 2022	2021	At 31 December 2022	2021
Hong Kong transport services				
- Hong Kong transport operations	136,934	132,774	34,026	18,252
- Hong Kong station commercial businesses	4,175	3,769	1,834	1,643
	141,109	136,543	35,860	19,895
Hong Kong property rental and management businesses	92,208	85,451	2,526	2,645
Mainland China and international railway, property rental and management businesses	28,742	29,418	11,050	11,129
Mainland China property development	5,366	5,703	834	950
Other businesses	3,390	3,201	1,886	2,357
Hong Kong property development	46,312	16,101	31,962	17,137
	317,127	276,417	84,118	54,113
Unallocated assets / liabilities	9,954	15,665	63,051	57,932
Total	327,081	292,082	147,169	112,045

Unallocated assets and liabilities mainly comprise cash, bank balances and deposits, investment in bank medium-term notes, tax reserve certificates, derivative financial assets and liabilities, interest-bearing loans and borrowings, current taxation, as well as deferred tax assets and liabilities.

For the year ended 31 December 2022, revenue from one customer (2021: two customers) of the Mainland China and international railway, property rental and management businesses segment has exceeded 10% of the Group's revenue. Approximately 17.21% of the Group's total revenue was attributable to the customer (2021: 15.10% and 11.75% was attributable to each of the two customers respectively).

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's fixed assets, goodwill and property management rights, railway construction in progress, property development in progress, deferred expenditure, and interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of investment properties, other property, plant and equipment, railway construction in progress, and property development in progress, the location of the proposed capital project in the case of deferred expenditure, the location of the operation to which they are related in the case of service concession assets, goodwill and property management rights, and interests in associates and joint ventures.

HK\$ million	Revenue from external customers		Specified non-current assets	
	Year ended 31 December 2022	2021	At 31 December 2022	2021
Hong Kong SAR (place of domicile)	21,586	21,755	267,988	227,462
Australia	15,708	14,360	918	1,169
Mainland China and Macao SAR	2,553	3,077	16,229	17,360
Sweden	5,232	5,489	557	696
United Kingdom	2,733	2,521	7	35
	26,226	25,447	17,711	19,260
	47,812	47,202	285,699	246,722

10. OTHER PROPERTY, PLANT AND EQUIPMENT AND SERVICE CONCESSION ASSETS

A As at 31 December 2022, included in assets under construction is cost amounting to HK\$3.0 billion (2021: HK\$2.4 billion) incurred on a project (“Signalling System Project”) of replacing the existing signalling system (“SACEM System”) by a communication-based train control signalling system (“CBTC System”) along the Group’s four urban lines (Island, Tseung Kwan O, Kwun Tong and Tsuen Wan Lines) in Hong Kong.

Due to the technical complexity involved and the pandemic situation, the contractor for the Signalling System Project took longer than expected to complete the software safety assurance processes previously required by the Group. During the year ended 31 December 2022, a revised technical proposal for the Signalling System Project was developed using established CBTC software with a range of customised functions essential for the Group’s train operation in Hong Kong. The Group is working closely with the contractor to progress the Signalling System Project under the revised technical proposal, together with necessary measures to extend the useful lives of certain assets and to equip new trains with the existing SACEM System, on an interim basis, so as to be able to continue to provide quality and reliable train services in the short term. Upon the completion of the Signalling System Project, the new trains will be equipped with the new CBTC System for train services.

B Shenzhen Metro Line 4 (“SZL4”) forms part of the Shenzhen Metro, which is operated by a wholly owned subsidiary, MTR Corporation (Shenzhen) Limited (“MTRSZ”). In July 2020, the Shenzhen Municipal Government announced that a fare adjustment framework for the Shenzhen Metro network would come into effect on 1 January 2021. The framework was expected to enable the establishment of a mechanism for fare setting and the implementation procedures for fare adjustments. Up to 31 December 2022, there has been no increase in SZL4’s fares since MTRSZ started operating the line in 2010 whilst the operating costs continue to rise. As disclosed in previous years, if a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

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, an impairment test was performed for SZL4 at 30 June 2022, which carried a book value of HK\$4,589 million, and the corresponding recoverable amount was determined at HK\$3,627 million as at 30 June 2022. As such, an impairment provision of HK\$962 million was recognised for the SZL4 service concession assets in the consolidated statement of profit or loss for the six months ended 30 June 2022. The recoverable amount for impairment had been determined based on a value in use calculation covering the remaining service concession period. An estimated pre-tax discount rate of 9.2% was used in estimating SZL4’s value in use as at 30 June 2022. Based on the review performed by the Group as at 31 December 2022, no further impairment loss was recognised as at 31 December 2022.

11. RAILWAY CONSTRUCTION PROJECTS UNDER ENTRUSTMENT BY THE HKSAR GOVERNMENT

A Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“High Speed Rail” or “HSR”) Project

(a) Entrustment Agreements

The HKSAR Government and the Company entered into the HSR Preliminary Entrustment Agreement in 2008, and the HSR Entrustment Agreement in 2010 (together, the “**Entrustment Agreements**”), in relation to the HSR.

Pursuant to the HSR Preliminary Entrustment Agreement, the HKSAR Government is obligated to pay the Company the Company’s in-house design costs and certain on-costs, preliminary costs and staff costs.

Pursuant to the HSR Entrustment Agreement, the Company is responsible for carrying out or procuring the carrying out of the agreed activities for the planning, design, construction, testing and commissioning of the HSR and the HKSAR Government, as owner of HSR, is responsible for bearing and financing the full amount of the total cost of such activities (the “**Entrustment Cost**”) and for paying to the Company a fee in accordance with an agreed payment schedule (the “**HSR Project Management Fee**”) (subsequent amendments to these arrangements are described below).

The HKSAR Government has the right to claim against the Company if the Company breaches the HSR Entrustment Agreement (including, if the Company breaches the warranties it gave in respect of its project management services) and, under the HSR Entrustment Agreement, to be indemnified by the Company in relation to losses suffered by the HKSAR Government as a result of any negligence of the Company in performing its obligations under the HSR Entrustment Agreement or any breach of the HSR Entrustment Agreement by the Company. Under the HSR Entrustment Agreement, the Company’s total aggregate liability to the HKSAR Government arising out of or in connection with the Entrustment Agreements (other than for death or personal injury) is subject to a cap equal to the total of HSR Project Management Fee and any other fees that the Company receives under the HSR Entrustment Agreement and certain fees received by the Company under the HSR Preliminary Entrustment Agreement (the “**Liability Cap**”). In accordance with general principles of law, such Liability Cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has reserved the right to refer to arbitration the question of the Company’s liability for the Current Cost Overrun (as defined hereunder) (if any) under the HSR Preliminary Entrustment Agreement and the HSR Entrustment Agreement (as more particularly described in note 11A(b)(v) below), up to the date of the annual report, no claim has been received from the HKSAR Government.

(b) HSR Agreement

In 2015, as a result of the HSR programme being extended to the third quarter of 2018 and the Company and the HKSAR Government reaching agreement for revising the estimate project cost to HK\$84.42 billion (the “**Revised Cost Estimate**”), the HKSAR Government and the Company entered into an agreement (the “**HSR Agreement**”) relating to the further funding and completion of the HSR (and which made certain changes to the HSR Entrustment Agreement) which was subsequently approved by the Company’s independent shareholders at an extraordinary general meeting, and the Legislative Council approved the HKSAR Government’s additional funding obligations, during 2016. Pursuant to the HSR Agreement:

- (i) The HKSAR Government will bear and finance the project cost up to HK\$84.42 billion, which includes an increase in the project cost by the amount of HK\$19.42 billion being the “**Current Cost Overrun**”;
 - (ii) The Company will, if the project cost exceeds HK\$84.42 billion, bear and finance the portion of the project cost which exceeds that sum (if any) (the “**Further Cost Overrun**”) except for certain agreed excluded costs (namely, additional costs arising from changes in law, force majeure events or any suspension of construction contracts specified in the HSR Agreement);
 - (iii) The Company would pay a special dividend in cash of HK\$4.40 in aggregate per share in two tranches in 2016 and 2017;
 - (iv) The HSR Project Management Fee increases from HK\$4.59 billion to HK\$6.34 billion. Consequently, the Liability Cap increases from up to HK\$4.94 billion to up to HK\$6.69 billion; and
 - (v) The HKSAR Government reserves the right to refer to arbitration the question of the Company’s liability for the Current Cost Overrun (if any) under the Entrustment Agreements (including any question the HKSAR Government may have regarding the validity of the Liability Cap). The Entrustment Agreements contain dispute resolution mechanisms which include the right to refer a dispute to arbitration. If the arbitrator does not determine that the Liability Cap is invalid and determines that, but for the Liability Cap, the Company’s liability under the Entrustment Agreements for the Current Cost Overrun would exceed the Liability Cap, the Company shall:
 - bear such amount as is awarded to the HKSAR Government up to the Liability Cap;
 - seek the approval of its independent shareholders, at another General Meeting (at which the FSI, the HKSAR Government and their Close Associates and Associates and the Exchange Fund will be required to abstain from voting), for the Company to bear the excess liability; and
 - if the approval of the independent shareholders (referred to immediately above) is obtained, pay the excess liability to the HKSAR Government. If such approval is not obtained, the Company will not make such payment to the HKSAR Government.
- (c) As at 31 December 2022, the Company has not made any provision in its consolidated financial statements in respect of:
- (i) any possible liability of the Company for any Further Cost Overrun (if any), given the Company does not currently believe based on information available to date there is any need to revise further the Revised Cost Estimate;
 - (ii) any possible liability of the Company that may be determined in accordance with any arbitration that may take place (as more particularly described in note 11A(b)(v) above), given that (a) the Company has not received any notification from the HKSAR Government of any claim by the HKSAR Government against the Company or of any referral by the HKSAR Government to arbitration as of 31 December 2022 and up to the date of the annual report; (b) the Company has the benefit of the Liability Cap; and (c) as a result of the HSR Agreement, the Company will not make any payment to the HKSAR Government in excess of the Liability Cap pursuant to a determination of the arbitrator without the approval of its independent shareholders; and
 - (iii) where applicable, because the Company is not able to measure with sufficient reliability the amount of the Company’s obligation or liability (if any).

B Shatin to Central Link (“SCL”) Project

(a) SCL Agreements

The Company and the HKSAR Government entered into the SCL Preliminary Entrustment Agreement (“**SCL EA1**”) in 2008, the SCL Advance Works Entrustment Agreement (“**SCL EA2**”) in 2011, and the SCL Entrustment Agreement (“**SCL EA3**”) in 2012 (together, the “**SCL Agreements**”), in relation to the SCL.

Pursuant to the SCL EA1, the Company is responsible for carrying out or procuring the carrying out of the design, site investigation and procurement activities while the HKSAR Government is responsible for funding directly the total cost of such activities.

Pursuant to the SCL EA2, the Company is responsible for carrying out or procuring the carrying out of the agreed works while the HKSAR Government is responsible for bearing and paying to the Company all the work costs (“**EA2 Advance Works Costs**”). The EA2 Advance Works Costs and the Interface Works Costs (as described below) are reimbursable by the HKSAR Government to the Company. During the year ended 31 December 2022, HK\$153 million (2021: HK\$124 million) of such costs were incurred by the Company, which are payable by the HKSAR Government. As at 31 December 2022, the amount of such costs which remained outstanding from the HKSAR Government was HK\$209 million (as at 31 December 2021: HK\$246 million).

The SCL EA3 was entered into in 2012 for the construction and commissioning of the SCL. The HKSAR Government is responsible for bearing all the work costs specified in the SCL EA3 including costs to contractors and costs to the Company (“**Interface Works Costs**”) (which the Company would pay upfront and recover from the HKSAR Government) except for certain costs of modification, upgrade or expansions of certain assets (including rolling stock, signalling, radio and main control systems) for which the Company is responsible under the existing service concession agreement with KCRC. The Company will contribute an amount in respect of the costs relating to such modifications, upgrades or expansions. This will predominantly be covered by the reduction in future maintenance capital expenditure which the Company would have otherwise incurred. The total sum entrusted to the Company by the HKSAR Government for the main construction works under the SCL EA3, including project management fee, was HK\$70,827 million (“**Original Entrusted Amount**”).

The Company is responsible for carrying out or procuring the carrying out of the works specified in the SCL Agreements for a project management fee of HK\$7,893 million (the “**Original PMC**”) which has been fully received by the Company and recognised in the consolidated statement of profit or loss in previous years.

(b) SCL EA3 Cost Overrun

(i) Cost to Complete

The Company has previously announced that, due to the continuing challenges posed by external factors, including issues such as delays due to the discovery of archaeological relics, the HKSAR Government’s requests for additional scope and late or incomplete handover of construction sites, the Original Entrusted Amount under SCL EA3 would not be sufficient to cover the total estimated cost to complete (“**CTC**”) and would need to be revised upwards significantly. After carrying out detailed reviews of the estimated CTC for the main construction works, on 10 February 2020, the Company submitted a revised estimated total CTC of HK\$82,999 million (“**2020 CTC Estimate**”), including additional project management fee payable to the Company of HK\$1,371 million (“**Additional PMC**”), being the additional cost to the Company of carrying out its remaining project management responsibilities under the SCL EA3, as detailed in note 11B(b)(ii) below but excluding the Hung Hom Incidents Related Costs in respect of which the Company had already recognised a provision of HK\$2 billion in its consolidated statement of profit or loss for the year ended 31 December 2019 (as detailed in note 11B(c)(ii) below). The 2020 CTC Estimate represents an increase of HK\$12,172 million from the Original Entrusted Amount of HK\$70,827 million.

The HKSAR Government obtained the approval from Legislative Council on 12 June 2020 for additional funding required for the SCL Project amounting to HK\$10,801 million ("**Additional Funding**") so that the SCL can be completed. For the avoidance of doubt, the Additional Funding sought by the HKSAR Government and approved by the Legislative Council excluded the Hung Hom Incidents Related Costs (as detailed in note 11B(c)(ii) below) and Additional PMC of HK\$1,371 million for the Company as further detailed in note 11B(b)(ii) below.

(ii) *Provision for Additional PMC*

As detailed in note 11B(b)(i) above and as previously disclosed by the Company, the programme for the delivery of the SCL Project has been significantly impacted by certain key external events. Not only do these matters increase the cost of works, they also increase the cost to the Company of carrying out its project management responsibilities under the relevant SCL entrustment agreement, which is estimated to be around HK\$1,371 million.

The Additional Funding approved by the Legislative Council did not include any Additional PMC for the Company which the Company had previously sought from the HKSAR Government. Therefore, the cost to the Company of continuing to comply with its project management obligations under the SCL EA3 is currently being met by the Company on an interim and without prejudice basis (to allow the SCL Project to progress in accordance with the latest programme) and the Company reserves its position as to the ultimate liability for such costs and as to its right to pursue the courses of action and remedies available under the SCL EA3.

However, given the Company's view that there has been a significant delay to the project programme and associated increase in project management costs to the Company, the Company has written to the HKSAR Government to restate the Company's belief that the Company is entitled (in accordance with the terms of the SCL EA3 and following the Company's receipt of independent expert advice) to an increase in the project management fee, to be agreed by way of good faith negotiations or otherwise determined in accordance with the provisions of the SCL EA3. However, the HKSAR Government has responded to the Company by reiterating that the HKSAR Government considers there have not been any material modifications to any of the scope of works, entrustment activities and/or entrustment programme contained in the SCL EA3 and, as such, the HKSAR Government maintains its position of disagreement to any increase in the project management fee.

Despite the fact that this matter needs to be resolved, the Company has continued, and will continue, to comply with its project management obligations under the SCL EA3 and has met, and will continue to meet, the costs thereof, on an interim and without prejudice basis, to allow the SCL Project to progress in accordance with the latest programme in order to achieve a full opening of the SCL as soon as reasonably practicable, whilst reserving its position as to the ultimate liability for such costs and as to its rights to pursue the courses of action and remedies available under the SCL EA3.

After taking into account the matters described above, and in particular, the Company meeting, on an interim and without prejudice basis (whilst reserving its position as to the ultimate liability for such costs and as to its rights to pursue the courses of action and remedies available under the SCL EA3), the cost to the Company of continuing to comply with its project management obligations, the Group recognised a provision of HK\$1,371 million in its consolidated statement of profit or loss for the year ended 31 December 2020 for the estimated additional cost to the Company of continuing to comply with its project management responsibilities. During the year ended 31 December 2022, the provision utilised amounted to HK\$314 million (2021: HK\$533 million) and no provision was written back (2021: HK\$nil). As at 31 December 2022, the provision of HK\$479 million (2021: HK\$793 million), net of amount utilised, is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

This amount does not take into account any potential payment to the Company of any Additional PMC (whether in the circumstances that no overall settlement is reached and / or as a result of an award, settlement or otherwise). Accordingly, if any such potential payment becomes virtually certain, the amount of any such payment will be recognised and credited to the Company's consolidated statement of profit or loss in that financial period.

(c) Hung Hom Incidents

As stated in the Company's announcement dated 18 July 2019, there were allegations in 2018 concerning workmanship in relation to the Hung Hom Station extension ("**First Hung Hom Incident**"). The Company took immediate steps to investigate the issues, report the Company's findings to the HKSAR Government and reserve the Company's position against relevant contractors.

In late 2018 and early 2019, the Company advised the HKSAR Government of an insufficiency of construction records and certain construction issues at the Hung Hom North Approach Tunnel ("**NAT**"), the South Approach Tunnel ("**SAT**") and the Hung Hom Stabling Sidings ("**HHS**"), forming an addition to the First Hung Hom Incident ("**Second Hung Hom Incident**").

To address each of the First Hung Hom Incident and the Second Hung Hom Incident, the Company has submitted to the HKSAR Government proposals for verification of the relevant as-constructed conditions and workmanship quality.

(i) *Commission of Inquiry ("COI")*

On 10 July 2018, the COI was set up by the HKSAR Chief Executive in Council pursuant to the Commissions of Inquiry Ordinance (Chapter 86 of the Laws of Hong Kong). On 29 January 2019, the HKSAR Government made its closing submission to the first phase of the COI in which it stated its view that the Company ought to have provided the required skills and care reasonably expected of a professional and competent project manager but that the Company had failed to do so.

On 26 March 2019, the HKSAR Government published the redacted interim report of the COI in which the COI found that although the Hung Hom Station extension diaphragm wall and platform slab construction works are safe, they were not executed in accordance with the relevant contract in material aspects.

On 18 July 2019, the Company submitted to the HKSAR Government two separate final reports, one in respect of the First Hung Hom Incident and one in respect of the Second Hung Hom Incident, containing, inter alia, proposals for suitable measures required at certain locations to achieve code compliance. These suitable measures have been implemented.

On 22 January 2020, the HKSAR Government reiterated, in its closing submissions to the COI, that there was failure on the part of both the Company and the contractor Leighton Contractors Asia Limited to perform the obligations which the two parties undertook for the SCL project and that the Company, which was entrusted by the HKSAR Government as the project manager of the SCL project, ought to have provided the requisite degree of skill and care reasonably expected of a professional and competent project manager.

On 12 May 2020, the HKSAR Government published the final report of the COI in which the COI determined that it is fully satisfied that, with the suitable measures in place, the station box, NAT, SAT and HHS structures will be safe and also fit for purpose. The suitable measures for these structures were completed in 2020. The COI also made a number of comments on the construction process (including regarding failures in respect thereof such as unacceptable incidents of poor workmanship compounded by lax supervision and that in a number of respects also, management of the construction endeavour fell below the standards of reasonable competence) and made recommendations to the Company for the future.

(ii) *Provision for the Hung Hom Incidents Related Costs*

In order to progress the SCL Project and to facilitate the phased opening of the Tuen Ma Line in the first quarter of 2020, the Company announced in July 2019 that it would fund, on an interim and without prejudice basis, certain costs arising from the Hung Hom Incidents and certain costs associated with phased opening (being costs for alteration works, trial operations and other costs associated with the preparation activities for the phased opening) ("**Hung Hom Incidents Related Costs**"), whilst reserving the Company's position as to the ultimate liability for such costs.

The Company and the HKSAR Government will continue discussions with a view to reaching an overall settlement in relation to the Hung Hom Incidents and their respective funding obligations relating to the CTC and the Hung Hom Incidents Related Costs. If no overall settlement is reached between the Company and the HKSAR Government within a reasonable period, the provisions of the SCL EA3 shall continue to apply (as they currently do) including in relation to such costs, and the responsibility for the funding of such costs shall be determined in accordance with the SCL EA3.

After taking into account the matters described in note 11B(c) above, and in particular, the Company's decision to fund, on an interim and without prejudice basis, the Hung Hom Incidents Related Costs, the Company recognised a provision of HK\$2,000 million in its consolidated statement of profit or loss for the year ended 31 December 2019. During the year ended 31 December 2022, the provision utilised amounted to HK\$117 million (2021: HK\$206 million) and no provision was written back (2021: HK\$nil). As at 31 December 2022, the provision of HK\$827 million (2021: HK\$944 million), net of amount utilised, is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

This amount does not take into account any potential recovery from any other party (whether in the circumstances that no overall settlement is reached and/or as a result of an award, settlement or otherwise). Accordingly, if any such potential recovery becomes virtually certain, the amount of any such recovery will be recognised and credited to the Company's consolidated statement of profit or loss in that financial period.

(d) *Potential Claims from and Indemnification to the HKSAR Government*

The HKSAR Government has the right to claim against the Company if the Company breaches the SCL Agreements (including, if the Company breaches the warranties it gave in respect of its project management services) and, under each SCL Agreement, to be indemnified by the Company in relation to losses incurred by the HKSAR Government as a result of the negligence of the Company in performing its obligations under the relevant SCL Agreement or breach thereof by the Company. Under the SCL EA3, the Company's total aggregate liability to the HKSAR Government arising out of or in connection with the SCL Agreements (other than for death or personal injury) is subject to a cap equal to the fees that the Company receives under the SCL Agreements. In accordance with general principles of law, such cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has stated that it reserves all rights to pursue further actions against the Company and related contractors and has made the statements in its closing submission to the COI (as stated in note 11B(c)(i) above), up to the date of the annual report, no claim has been received from the HKSAR Government in relation to any SCL Agreement. It is uncertain as to whether such claim will be made against the Company in the future and, if made, the nature and amount of such claim.

The eventual outcome of the discussions between the Company and the HKSAR Government on various matters remain highly uncertain at the current stage. As a result, no additional provision other than as stated above has been made as the Company is currently not able to measure with sufficient reliability the ultimate amount of the Company's obligation or liability arising from the SCL Project as a whole in light of the significant uncertainties involved. While no provision in respect of the SCL Project related matters was recognised at 31 December 2022 other than as stated above, the Company

will reassess on an ongoing basis the need to recognise any further provision in the future in light of any further development.

12. DEBTORS AND CREDITORS

A As at 31 December 2022, the Group's debtors and other receivables amounted to HK\$13,889 million (2021: HK\$14,797 million), of which debtors accounted for HK\$4,310 million (2021: HK\$4,297 million). Receivables in respect of rentals, advertising and telecommunication activities are due from immediately to 60 days. Receivables in respect of income from railway subsidiaries outside of Hong Kong are mainly due within 30 days or in the following month. Receivables relating to consultancy services and entrustment works are due within 30 days. Receivables under interest rate and currency swap agreements are due in accordance with the terms of the agreements. Receivables relating to property development are due in accordance with the terms of the relevant development agreements or sale and purchase agreements. The ageing of debtors by due dates as at 31 December 2022 is analysed as follows:

HK\$ million	At 31 December	
	2022	2021
Amounts not yet due	3,715	3,779
Overdue by within 30 days	210	283
Overdue by more than 30 days but within 60 days	74	62
Overdue by more than 60 days but within 90 days	27	34
Overdue by more than 90 days	284	139
Total debtors	4,310	4,297
Other receivables and contract assets	9,579	10,500
	13,889	14,797

B As at 31 December 2022, creditors, other payables and provisions amounted to HK\$69,692 million (2021: HK\$40,077 million), of which creditors and accrued charges amounted to HK\$19,583 million (2021: HK\$18,620 million). As at 31 December 2022, the analysis of creditors by due dates is as follows:

HK\$ million	At 31 December	
	2022	2021
Due within 30 days or on demand	8,143	7,631
Due after 30 days but within 60 days	2,012	1,754
Due after 60 days but within 90 days	886	730
Due after 90 days	4,544	4,088
	15,585	14,203
Rental and other refundable deposits	2,459	2,818
Accrued employee benefits	1,539	1,599
Creditors and accrued charges	19,583	18,620
Other payables, deferred income and provisions	47,522	18,583
Contract liabilities	2,587	2,874
	69,692	40,077

13. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company redeemed its RMB1.15 billion (HK\$1.37 billion) and RMB200 million (HK\$237 million) bonds at par on 18 March 2022 and 19 April 2022 respectively. The bonds were listed on The Stock Exchange of Hong Kong Limited prior to the redemption. Save as disclosed above, the Group did not purchase, sell or redeem any of the Group's listed securities during the year ended 31 December 2022. However, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the Hong Kong Stock Exchange a total of 2,560,000 Ordinary Shares of the Company for a total consideration of approximately HK\$109 million during the year ended 31 December 2022.

14. CHARGE ON GROUP ASSETS

As at 31 December 2022, MTR Corporation (Shenzhen) Limited, a wholly-owned subsidiary of the Company in the Mainland China, has pledged the fare and non-fare revenue and the benefits of insurance contracts in relation to Phase 2 of Shenzhen Metro Line 4 as security for the RMB856 million (HK\$960 million) bank loan facility granted to it.

As at 31 December 2022, MTR CREC Metro (Shenzhen) Company Limited (formerly translated as "MTR CREC Metro (Shenzhen) Company Limited"), a subsidiary of the Company in the Mainland China, has pledged the fare and non-fare revenue in relation to Shenzhen Metro Line 13 as security for the RMB3.20 billion (HK\$3.59 billion) bank loan facility granted to it.

Saved as disclosed above, none of the other assets of the Group was charged or subject to any encumbrance as at 31 December 2022.

15. ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 24 May 2023. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about 13 April 2023.

16. CORPORATE GOVERNANCE

During the year ended 31 December 2022, the Company has complied with the code provisions set out in Appendix 14 (Corporate Governance Code) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

17. PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at www.mtr.com.hk and the website of the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Annual Report will also be available at the Company's and the Stock Exchange's websites and will be despatched to shareholders of the Company in mid April 2023.

KEY STATISTICS AND FINANCIAL

	Year ended 31 December	
	2022	2021
Hong Kong transport operations		
Total passenger boardings (in millions)		
- Domestic Service	1,334.6	1,421.7
- Cross-boundary Service	0.4	0.5
- High Speed Rail	-	-
- Airport Express	3.1	2.2
- Light Rail and Bus	180.0	191.9
Average number of passengers (in thousands)		
- Domestic Service (weekday)	3,920.1	4,188.8
- Cross-boundary Service (daily)	1.2	1.3
- High Speed Rail (daily)	-	-
- Airport Express (daily)	8.5	5.9
- Light Rail and Bus (weekday)	515.7	548.2
Financial		
EBITDA margin [^]		
- Including Mainland China and international subsidiaries	16.5%	17.3%
- Excluding Mainland China and international subsidiaries [Ⓓ]	30.5%	32.7%
EBIT margin [*]		
- Including Mainland China and international subsidiaries	1.8%[#]	5.2%
- Excluding Mainland China and international subsidiaries [Ⓚ]	3.7%	7.8%
Profit attributable to shareholders of the Company arising from Hong Kong property development (HK\$'million)	10,413	9,277
Profit attributable to shareholders of the Company arising from underlying businesses (HK\$'million)	10,637	11,151

[^] Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment as a percentage of total revenue

[Ⓓ] Excluding the relevant revenue and expenses of Mainland China and international subsidiaries of HK\$26,189 million and HK\$24,865 million (2021: HK\$25,398 million and HK\$24,379 million) respectively

^{*} Profit before interest, finance charges and taxation (excluding Hong Kong property development profit from share of surplus and interest in unsold properties, loss from fair value measurement of investment properties and share of profit of associates and joint ventures) as a percentage of total revenue

[#] Excluding the impairment loss of HK\$962 million made in respect of SZL4, the EBIT margin would have been 3.8%

[Ⓚ] Excluding the relevant revenue, expenses, depreciation and amortisation, and impairment loss of Mainland China and international subsidiaries of HK\$26,189 million, HK\$24,865 million, HK\$303 million and HK\$962 million (2021: HK\$25,398 million, HK\$24,379 million, HK\$268 million and HK\$nil) respectively

MANAGEMENT REVIEW AND OUTLOOK

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 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 reopening of international borders and Mainland boundaries in early 2023, we have seen gradual recoveries in railway patronage and retail traffic.

Hong Kong Transport Services – Transport Operations

HK\$ million	Year ended 31 December		Inc./ (Dec.) %
	2022	2021	
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 the 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

Hong Kong Transport Operations	Patronage In millions		Revenue HK\$ million	
	2022	Inc./ (Dec.) %	2022	Inc./ (Dec.) %
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 re-opening of boundary crossings between Hong Kong and Mainland China has 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 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 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 CO₂ 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, the Duty Free business has been resumed with the opening of the cross-boundary stations. However, its performance is expected to be impacted as compared to the past by the contracts that were renewed in adverse market conditions and 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 travel. 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 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 and Phase IB (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 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 the 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.

In 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 target 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 ongoing 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 have 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									
Year ended 31 December HK\$' million	Mainland China and Macao Railway, Property Rental and Property Management Businesses *						Total		
	International Railway Businesses			International Railway Businesses			Total		
	2022	2021	Inc./ (Dec.) %	2022	2021	Inc./ (Dec.) %	2022	2021	Inc./ (Dec.) %
Recurrent Businesses									
<u>Subsidiaries</u>									
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)
<u>Associates and Joint Ventures</u>									
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 the 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 Metro Trains Melbourne 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 ("BJL4"), the Daxing Line, Beijing Metro Line 14 ("BJL14"), 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		Favourable / (Unfavourable) Change	
	2022	2021	HK\$ million	%
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 business subsidiaries: The COVID-19 continued to adversely impact our Mainland China and international business 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 6 "Income Tax" above of this annual results announcement.

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 ^δ	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, 32 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, and we are sponsoring “She Loves Tech”, one of the largest start-up competitions 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 the “Most Innovative Transport Solutions Global 2022” awards from Capital Finance International.

To ensure business continuity, a 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 our 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 an increasingly important role 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. Besides, we plan to tender out a commercial development site in 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.

By Order of the Board
Dr Jacob Kam Chak-pui
Chief Executive Officer

Hong Kong, 9 March 2023

CLOSURE OF REGISTER OF MEMBERS

Annual General Meeting 2023

The Register of Members of the Company will be closed from 18 May 2023 to 24 May 2023 (both dates inclusive), during which time no transfers of shares in the Company will be effected. To be eligible to attend, speak and vote at the Company's Annual General Meeting to be held on 24 May 2023, all completed transfer documents, accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 17 May 2023 (Hong Kong time).

2022 Final Dividend

The Register of Members of the Company will be closed from 31 May 2023 to 5 June 2023 (both dates inclusive), during which time no transfers of shares in the Company will be effected. To qualify for the proposed 2022 final dividend, all completed transfer documents, accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, at the address mentioned in the preceding paragraph, no later than 4:30 p.m. on 30 May 2023 (Hong Kong time).

As at the date of this announcement:

Members of the Board: Dr Rex Auyeung Pak-kuen (*Chairman*)**, Dr Jacob Kam Chak-pui (*Chief Executive Officer*), Andrew Clifford Winawer Brandler*, Dr Bunny Chan Chung-bun*, Walter Chan Kar-lok*, Dr Pamela Chan Wong Shui*, Dr Dorothy Chan Yuen Tak-fai*, Cheng Yan-kee*, Hui Siu-wai*, Sunny Lee Wai-kwong*, Dr Rose Lee Wai-mun*, Jimmy Ng Wing-ka*, Carlson Tong*, Adrian Wong Koon-man*, Johannes Zhou Yuan*, Christopher Hui Ching-yu (*Secretary for Financial Services and the Treasury*)**, *Secretary for Transport and Logistics (Lam Sai-hung)***, *Permanent Secretary for Development (Works) (Ricky Lau Chun-kit)*** and *Commissioner for Transport (Rosanna Law Shuk-pui)***

Members of the Executive Directorate: Dr Jacob Kam Chak-pui, Margaret Cheng Wai-ching, Linda Choy Siu-min, Carl Michael Devlin, Herbert Hui Leung-wah, Dr Tony Lee Kar-yun, Gillian Elizabeth Meller, David Tang Chi-fai, Sammy Wong Kwan-wai and Jeny Yeung Mei-chun

* *independent non-executive Director*

** *non-executive Director*

This announcement is made in English and Chinese. In case of any inconsistency, the English version shall prevail.