

Chief Officer's Statement and Business Review

“ *There has been further enhancement in service performance and passenger experience in the operating railway network* ”



The Corporation continues to work closely with the relevant departments of the Hong Kong Special Administrative Region Government (“the Government”) and the MTR Corporation Limited (“MTRCL”) to facilitate the various MTRCL’s new railway projects with works on the Corporation’s land. These projects aim to extend the coverage of Hong Kong’s public transport system backbone, thereby meeting the projected travelling demand of the public and promoting the further development of communities, new towns and new development areas.

Subsequent to the granting of a licence to the MTRCL for the construction of the Kwu Tung Station in 2023, the Corporation has granted further licences to the MTRCL in 2024, enabling the commencement of construction works for its Tuen Mun South Extension and Hung Shui Kiu Station on the Corporation’s land. Besides, the Corporation will continue to provide necessary support to projects under planning, including the Main Line of the Northern Link and the East Rail Line (“EAL”) Science Park/Pak Shek Kok Station.

There has been further enhancement in service performance and passenger experience in the operating railway network through infrastructure provisions and innovative arrangements. The challenging automatic platform gate installation works at the EAL are close to completion with those in Lo Wu, Mong Kok East and University Stations scheduled for completion in 2025. The progressive expansion of the Express Rail Link coverage and enhanced service arrangements provide passengers with various options and flexibility to meet their travel needs. All these elements added on making the railway network of Hong Kong a key component of the highly accessible transport network and economic circle of the Guangdong-Hong Kong-Macao Greater Bay Area.

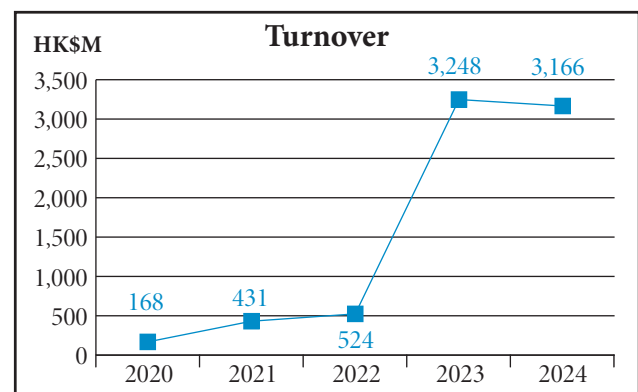
The Corporation is wholly owned by the Government. It conducts its business according to prudent commercial principles and at the same time serves the needs of the city’s public transport system as required under the Kowloon-Canton Railway Corporation Ordinance (Chapter 372 of the Laws of Hong Kong) (“the KCRC Ordinance”). Besides,

the MTRCL is the Corporation’s business partner in operating the Corporation’s railway network under the Service Concession Agreement (“SCA”) and the Supplemental Service Concession Agreements (“SSCAs”). The Corporation has conducted its business with these two key stakeholders in a spirit of cooperation and mutual support.

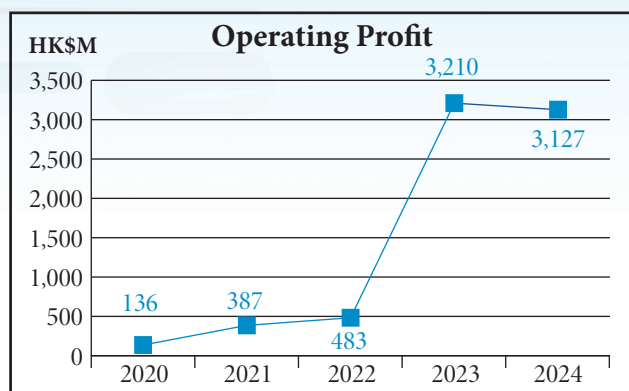
Currently, the Corporation is not engaged in the construction of any new railway project or operation of railway network and has no major capital cost, operation cost or railway asset replacement expenditure. With its business focus as a railway asset holder after the Rail Merger in 2007, the Corporation enjoyed a relatively steady stream of income under the SCA and the SSCAs with the MTRCL.

Although not being publicly listed, the Corporation, for good corporate governance, complies with the requirements for listed companies of the Stock Exchange of Hong Kong Limited as far as practicable and has been preparing its annual accounts following the commercial accounting standards as required under the KCRC Ordinance. In 2024, the Corporation continued to fully comply with all relevant laws and regulations.

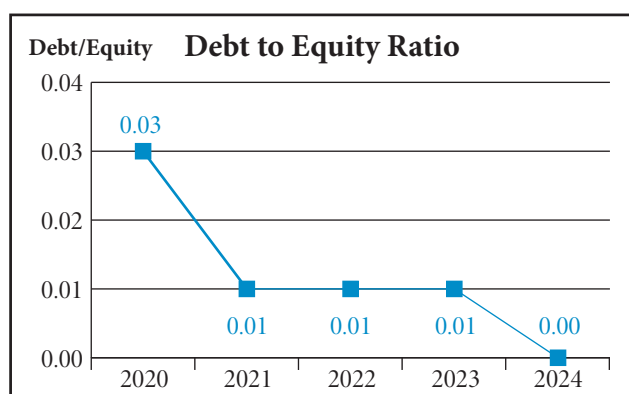
The Corporation adopts five Key Performance Indicators, namely Turnover, Operating Profit, Debt to Equity Ratio, Interest Cover and Profit/(Loss), to evaluate its financial position.



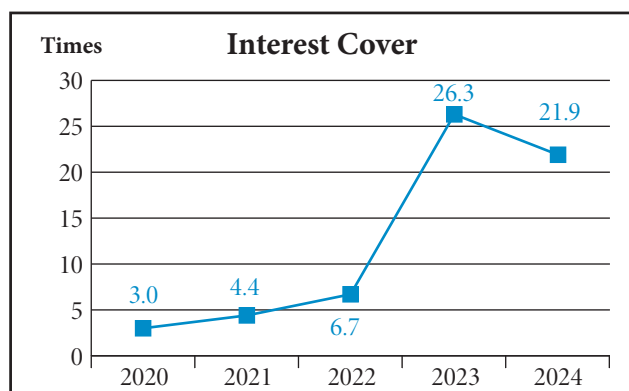
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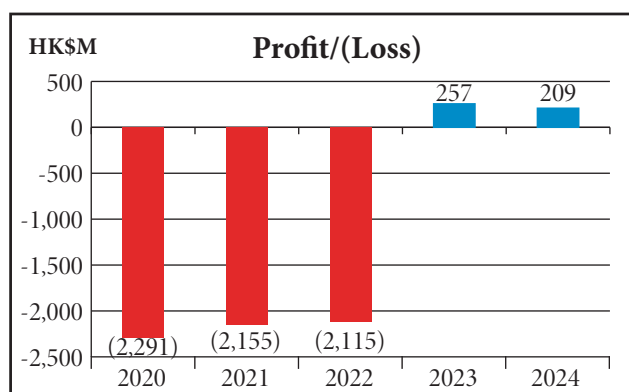
See Note 1



See Note 2



See Note 3



Note 1: Operating Profit is before depreciation, amortisation and impairment.

Note 2: Debt to Equity Ratio = $\frac{\text{Interest-bearing borrowings}}{\text{Total equity}}$

Note 3: Interest Cover = $\frac{\text{Operating profit before depreciation, amortisation and impairment} + \text{Interest and finance income} + \text{Share of profit of associate}}{\text{Interest and finance expenses}}$

The Corporation's revenue mainly comes from the annual payments under the SCA and SSCAs, comprising Fixed and Variable Annual Payments. The Variable Annual Payment for 2024 increased by about 28% compared with 2023, rising from HK\$2,355 million to HK\$3,025 million, mainly due to an increase in patronage.

The Corporation also recognised rental income of HK\$30 million from leasing the 7th to 10th floors of Citylink Plaza, dividends of HK\$130 million arising from the Corporation's 22.1% shareholding in Octopus Holdings Limited and interest income of HK\$394 million from investment of the Corporation's retained cash.

Operating costs of the Corporation (before depreciation, amortisation and impairment) plus interest and finance expenses amounted to HK\$207 million for 2024.

The Corporation repaid its remaining debt in 2024 and it has no exposure to financial risks associated with interest rate movements.

The Corporation's operating profit for the year (before depreciation, amortisation and impairment) amounted to HK\$3,127 million upon accounting for scheduled revenue adjustments, a decrease of HK\$83 million (3%) over 2023.

Non-cash depreciation and amortisation charges for 2024 amounted to HK\$3,327 million, compared with HK\$3,417 million in 2023. The accounting profit for the year was HK\$209 million, as compared with HK\$257 million in 2023.

Under the West Rail Shareholding Agreement signed with the Government in February 2000, the Corporation is the majority shareholder of the West Rail Property Development Limited and its subsidiaries. These companies, which employ the MTRCL as their project management agent, are responsible for developing residential and commercial sites along the West Rail Line. Development works in Yuen Long have been completed while the development works in Kam Sheung Road continued in full swing in 2024.

As we conclude this year's performance, it is noted that the Corporation continued to record accounting profits in 2024. I would like to take this opportunity to express my heartfelt gratitude to the Members of the Managing Board for their guidance and unwavering support to the management team over the past year, which played a crucial role for our achieving of the goals of the Corporation.

LT Ma, SBS

BSc(Eng), MSc(Eng), CEng, FHKIE, FCIWEM,
FHKIHT, MICE, MStructE
Chief Officer
14 April 2025