

Report of the Members of the Managing Board

The Members of the Managing Board (“the Board”) have pleasure in submitting herewith their report and audited financial statements for the financial year ended 31 December 2023.

Kowloon-Canton Railway Corporation Ordinance

The Kowloon-Canton Railway Corporation Ordinance (Chapter 372 of the Laws of Hong Kong) (“the KCRC Ordinance”), enacted in 1982, established the Corporation and empowered it to operate the Kowloon-Canton Railway. Amendments in 1986 and 1998 empowered the Corporation to construct and operate Light Rail and new railways, and enabled the Hong Kong Special Administrative Region Government (“the Government”) to inject equity into the Corporation to fund the construction of such new railways. Inter alia, the KCRC Ordinance contains provisions covering the appointments and roles of the Members of the Board.

An amendment of the KCRC Ordinance in December 2001 provided for the separation of the functions and duties of the Chairman from those of the Chief Executive by creating the office of Chief Executive Officer of the Corporation. The Chief Executive Officer was also appointed as a Member of the Board.

On 2 December 2007, following the enactment of the Rail Merger Ordinance, the MTR Corporation Limited (“MTRCL”) commenced operating the Corporation’s railway assets by way of a service concession for an initial period of 50 years, which is extendable. The Corporation retains ownership of the railway assets covered in the Service Concession Agreement and should MTRCL fail to observe the terms of the agreement, there is provision for the Corporation to take back and operate its assets. The Rail Merger Ordinance also made provision for the position of Chief Executive Officer to be left vacant, from 2 December 2007. Instead the Corporation appointed a Chief Officer, who is not a Member of the Board, to head Management.

Principal Activities of the Corporation

The principal activities of the Corporation are:

- railway asset holder, with responsibility for monitoring that MTRCL complies with the terms of the Service Concession Agreement and the Supplemental Service Concession Agreements;
- investing the reserve funds;
- servicing the Corporation’s outstanding debt; and
- managing its subsidiaries.

The principal activities of the subsidiaries are set out in Note 16 to the Financial Statements.

The Board

The Board is the governing body of the Corporation with authority to exercise the duties conferred upon it by the KCRC Ordinance.

Members of the Board are all public officers (appointed ex-officio), being:

- Secretary for Financial Services and the Treasury, Mr Christopher Hui Ching-yu (Chairman);
- Permanent Secretary for Transport and Logistics, Ms Mable Chan;
- Director of Accounting Services, Ms Susanna Cheung Sau-lan;
- Government Property Administrator, Mr Eugene Fung Kin-yip;

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- Deputy Secretary for Transport and Logistics 4, Ms Winnie Tse Wing-ye (up to 7 May 2024) and Ms Joan Hung Sze-man (from 8 May 2024); and
- Deputy Secretary for Financial Services and the Treasury (Treasury) 1, Mr Aaron Liu Kong-cheung.

Details of Members of the Board are set out on pages 2 and 3.

Long-Term Planning, Business Planning and Financial Management Framework

Business Plan, incorporating triennial forecasts of income and expenditure, is prepared each year for submission to the Board. The first year of the Business Plan forms the basis for formulating the budget for the ensuing year.

There are defined procedures and regular quality reviews of the operation of the Corporation's computerised systems to ensure the accuracy and completeness of financial records and the efficiency of data processing. There are defined procedures for the appraisal, review and approval of all major capital projects, and all major expenditure and revenue contracts. All contracts over HK\$50 million and all consultancy services over HK\$10 million require the approval of the Board. Operating and financial reports, comparing results against their respective budgets and providing updates on significant events, are put to and considered by the Board on a monthly basis.

Corporate Governance

As set out in the Corporate Governance Report, the Board maintains high standards of corporate governance.

Indemnity of Members of the Board

A permitted indemnity provision as defined in section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the Members of the Board is currently in force and was in force throughout this year.

Interests in Transactions, Arrangements or Contracts of Members of the Board and Senior Executive Staff

No transactions, arrangements or contracts of significance to which the Corporation or any of its subsidiaries was a party and in which a Member of the Board, or senior executive of Management, had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the Corporation or any of its subsidiaries a party to any arrangements to enable Members of the Board, or senior executives of Management, to acquire benefits by means of the acquisition of shares in or debt securities of the Corporation or subsidiaries of the Corporation.

Financial Statements

The results of the Group for the year ended 31 December 2023 and the Group's financial position at that date are set out in the Financial Statements on pages 24 to 82.

Property, Plant and Equipment and Interest in Leasehold Land

Movements in property, plant and equipment, and interest in leasehold land during the year are set out in Note 13 to the Financial Statements.

Share Capital

Details of the Corporation's share capital are set out in Note 24 to the Financial Statements. Any further contributions of capital will be determined by the Government in consultation with the Corporation.

Dividend

Details of the Corporation's proposed dividend to the Government are set out in Note 24(b) to the Financial Statements.

Interest and Finance Income/Expenses

Details of the Corporation's interest and finance income/expenses are set out in Note 9 to the Financial Statements.

Interest-Bearing Borrowings

Details of the Corporation's interest-bearing borrowings are set out in Note 22 to the Financial Statements.

Turnover, Financial Results and Financial Position

Details of the Corporation's turnover, financial results and financial position are set out in the Financial Statements, the Chief Officer's Statement and Business Review, and the Five-Year Statistics of the Annual Report.

Going Concern

The Financial Statements on pages 24 to 82 have been prepared on a going concern basis. The Board has approved the Corporation's budget for 2024 and is satisfied that the Corporation can operate in a viable manner for the foreseeable future.

Responsibility for the Financial Statements

The KCRC Ordinance requires the Corporation to produce financial statements. In doing so, the Corporation complies with IFRS Accounting Standards issued by the International Accounting Standards Board, Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Companies Ordinance, and produces financial statements that give a true and fair view of the Corporation's financial results and position for the financial year to which they relate.

Auditor

In accordance with section 14B(4) of the KCRC Ordinance, KPMG was appointed as the auditor by the Chief Executive of the Hong Kong Special Administrative Region.

By order of the Board

CL Wong, SBS

Company Secretary
9 May 2024