MTR CORPORATION LIMITED
香港鐵路有限公司

(the "**Company**")

(Incorporated in Hong Kong with limited liability)

(Stock Code: 66)

INSIDE INFORMATION

PROFIT WARNING

SHATIN TO CENTRAL LINK

Estimated Financial Results and Profit Warning

The Board expects the Group to report a net loss attributable to shareholders of the Company of around HK$4.8 billion (representing the midpoint of the estimated loss range of between HK$4.6 billion and HK$5.0 billion) for the year ended 31 December 2020, compared to a net profit attributable to shareholders of the Company of HK$11.9 billion for the year ended 31 December 2019.

The following table shows the expected figures underlying the expected net loss attributable to shareholders of the Company:

HK$ billion	Year ended 31 December 2020 Estimate*	Six months ended 30 June 2020 Actual	Year ended 31 December 2019 Actual
(Loss) / profit from Recurrent Businesses	(1.1)#	0.4	5.0
Profit from property development businesses	5.5	5.2	5.6
Investment property portfolio revaluation (loss) / gain	(9.2)	(6.0)	1.4
Net (loss) / profit attributable to shareholders of the Company	(4.8)Δ	(0.3)	11.9

**Figures are based on management information currently available including the preliminary assessment of the latest unaudited management accounts of the Group for the year ended 31 December 2020. The actual results of the Group for the year ended 31 December 2020 have not been finalised and are subject to audit by the auditors of the Group. The* *audited results of the Group for the year ended 31 December 2020 may be different from the information contained in this announcement.*

#The loss from Recurrent Businesses represents the midpoint of the estimated loss range of between HK$0.9 billion and HK$1.3 billion.

ΔThe net loss attributable to shareholders of the Company represents the midpoint of the estimated loss range of between HK$4.6 billion and HK$5.0 billion.

φFigures in the above table may not add up due to rounding.

- The expected net loss of around HK$4.8 billion (representing the midpoint of the estimated loss range of between HK$4.6 billion and HK$5.0 billion) is mainly due to: (i) as previously announced, the significant adverse impact of the on-going COVID-19 pandemic and the deterioration of the general economic environment on the Group's Recurrent Businesses (in Hong Kong and elsewhere), (ii) the revaluation loss on the Group's investment property portfolio, being a non-cash accounting item, which is expected to be around HK$9.2 billion for the year ended 31 December 2020, and (iii) as detailed in Section 2 below, a provision of HK$1.4 billion made by the Group in its consolidated profit and loss account for the year ended 31 December 2020 in respect of the Shatin to Central Link project.
- The Board is of the view that the overall financial position of the Group remains sound when taking into account the rail and property businesses of the Group as a whole.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Investors should exercise caution in their dealings in the securities of the Company. The price of the Company's shares may be subject to fluctuations.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 11 February 2020, 28 February 2020, 5 March 2020, 7 July 2020 and 6 August 2020 which discussed, amongst other things, the significant impact of the COVID-19 pandemic on the Group and its businesses and the project management cost to the Company of completing its remaining project management responsibilities of the SCL Project under the EA3.

1. ESTIMATED FINANCIAL RESULTS AND PROFIT WARNING

Based on the management information currently available to the Board including the preliminary assessment of the latest unaudited management accounts of the Group for the year ended 31 December 2020, the Board expects the Group to report a net loss attributable to shareholders of the Company of around HK$4.8 billion (representing the midpoint of the estimated loss range of between HK$4.6 billion and HK$5.0 billion) for the year ended 31 December 2020, compared to a net profit attributable to shareholders of the Company of HK$11.9 billion for the year ended 31 December 2019.

The following table shows the expected figures underlying the expected net loss attributable to shareholders of the Company:

HK$ billion	**Year ended 31 December 2020 Estimate***	**Six months ended 30 June 2020 Actual**	**Year ended 31 December 2019 Actual**
(Loss) / profit from Recurrent Businesses	(1.1)#	0.4	5.0
Profit from property development businesses	5.5	5.2	5.6
Investment property portfolio revaluation (loss) / gain	(9.2)	(6.0)	1.4
Net (loss) / profit attributable to shareholders of the Company	(4.8)Δ	(0.3)	11.9

**Figures are based on management information currently available including the preliminary assessment of the latest unaudited management accounts of the Group for the year ended 31 December 2020. The actual results of the Group for the year ended 31 December 2020 have not been finalised and are subject to audit by the auditors of the Group. The audited results of the Group for the year ended 31 December 2020 may be different from the information contained in this announcement.*

#The loss from Recurrent Businesses represents the midpoint of the estimated loss range of between HK$0.9 billion and HK$1.3 billion.

ΔThe net loss attributable to shareholders of the Company represents the midpoint of the estimated loss range of between HK$4.6 billion and HK$5.0 billion.

φFigures in the above table may not add up due to rounding.

The expected net loss attributable to shareholders of the Company for the year ended 31 December 2020 is mainly due to:

(i) as previously announced, the significant adverse impact of the on-going COVID-19 pandemic and the deterioration of the general economic environment on the Group's Recurrent Businesses (in Hong Kong and elsewhere);

(ii) the revaluation loss on the Group's investment property portfolio, being a non-cash accounting item, which is expected to be around HK$9.2 billion for the year ended 31 December 2020 due to the significant adverse impact of the COVID-19 pandemic and the deterioration of the general economic environment and hence downward pressure on retail and office rents; and

(iii) a provision of HK$1.4 billion made by the Group in its consolidated profit and loss account for the year ended 31 December 2020 in respect of the SCL Project (as detailed in Section 2 below).

The Group expects to recognise a profit from its property development businesses of around HK$5.5 billion for the year ended 31 December 2020.

As a result, the Group is expected to report a reduced profit from its Underlying Businesses for the year ended 31 December 2020 compared to 2019, and this is expected to be more than offset by the expected investment property revaluation loss on the Group's investment property portfolio described in this announcement, resulting in the expected net loss attributable to shareholders of the Company for the year ended 31 December 2020 stated above.

Further details are set out below.

Significant Adverse Impact of Ongoing COVID-19 Pandemic and Deterioration of General Economic Environment on Recurrent Businesses

The significant adverse impact of the on-going COVID-19 pandemic and the deterioration of the general economic environment on the Group's Recurrent Businesses has been unprecedented. Various measures implemented by governmental authorities in Hong Kong and globally (such as social distancing, work-from-home arrangements, school closures, immigration controls and quarantine measures) have resulted in a significant reduction in domestic and international travel demand and consumer spending. Furthermore, prolonged closures of major passenger boundary crossings between Hong Kong and the Mainland of China (including the crossings at Lo Wu, Lok Ma Chau and Hong Kong West Kowloon stations, as well as the Intercity through train control point at Hung Hom Station) have further adversely impacted the Group's Recurrent Businesses.

As previously announced by the Company, the Company's total patronage in Hong Kong decreased by 37.7% for the six months ended 30 June 2020, as compared with the same period in 2019, due to the first and second waves of the COVID-19 pandemic in Hong Kong. In late July 2020, the third wave of the COVID-19 pandemic affected Hong Kong. Our Hong Kong patronage was adversely affected in August 2020 as a result but rebounded in September 2020 and continued to climb in October and November 2020 after the local Hong Kong restriction measures were relaxed. In late November 2020, the resurgence of the COVID-19 pandemic in Hong Kong, as the fourth wave, has led to the tightening of social distancing measures by Government, resulting in a drop in our patronage in December 2020.

The continuation of the COVID-19 pandemic throughout 2020 has had an unprecedent adverse impact on the Group's Recurrent Businesses, which has led to:

(i) a substantial decrease in patronage on the Company's services since the outbreak of the COVID-19 pandemic in late January 2020. The following table shows the levels of patronage in Hong Kong for January to December (inclusive) for each of 2019 and 2020:

Month	Patronage in 2019* (in million)	Patronage in 2020* (in million)	Patronage Change (%)
January	182.2	140.2	- 23.1%
February	155.0	81.4	- 47.5%
March	177.8	95.3	- 46.4%
April	164.1	85.1	- 48.1%
May	175.6	110.1	- 37.3%
June	167.7	125.1	- 25.4%
July	169.5	103.9	- 38.7%
August	159.9	89.6	- 44.0%
September	155.3	114.6	- 26.2%
October	130.0#	129.4	- 0.5%
November	129.6#	130.1	+ 0.4%
December	147.6#	106.0^	-28.2%^
Total (January to December (inclusive))	1,914.3	1,310.8^	-31.5%^

** This figure represents the total patronage on the following services in Hong Kong: the Domestic Service, the Airport Express, the Cross-boundary, the Intercity, Light Rail, Bus and the High Speed Rail, which is published monthly in the Company's website.*

 # The drop in patronage in October, November and December 2019 was mainly due to the adverse impact of Hong Kong public order events.

^ Provisional figure and subject to change

(ii) a significant decrease in rental revenue of our Hong Kong Station Commercial businesses due to rental abatements granted to (a) duty free concession holders and other station kiosks as a result of the closure of several boundary crossings between Hong Kong and the Mainland of China; and (b) retail tenants of station kiosks which have been adversely affected due to reduced footfall in stations on the Domestic Service as a result of reduced patronage;

(iii) reduced rental revenue of our Hong Kong property rental business due to extended rental abatements granted to the retail tenants in MTR malls in Hong Kong which have been adversely affected due to the social gathering restrictions and night time dine-in restrictions resulting in fewer shoppers and diners; and

(iv) an adverse impact on the Group's Recurrent Businesses outside Hong Kong to varying degrees due to the COVID-19 pandemic and related governmental measures.

Recurrent Business Profit / Loss

Taking into account the matters described above and the recognition of the provision of HK$1.4 billion in the Group's consolidated profit and loss account for the year ended 31 December 2020 in respect of the SCL Project (as detailed in Section 2 below), and based on the management information currently available to the Board (including the preliminary assessment of the latest unaudited management accounts of the Group for the year ended 31 December 2020), the Board expects the Group to report a loss from Recurrent Businesses of around HK$1.1 billion (representing the midpoint of the estimated loss range of between HK$0.9 billion and HK$1.3 billion) for the year ended 31 December 2020, compared to a profit of HK$5.0 billion for the year ended 31 December 2019.

Property Development Profit

The Board expects the Group to recognise a profit from its property development businesses of around HK$5.5 billion for the year ended 31 December 2020, including the profit booked from LP6 (LOHAS Park Package 6) as previously announced, compared to a profit of HK$5.6 billion for the year ended 31 December 2019.

Revaluation of Investment Property Portfolio

Due to the adverse impact of the COVID-19 pandemic and the deterioration of the general economic environment leading to downward pressure on retail and office rents, based on a preliminary property revaluation performed by the Group's external independent valuers, the Board expects the Group to report an investment property revaluation loss for the year ended 31 December 2020 (which is a non-cash accounting item resulting from a decline of around 10% in the appraised value of the Group's investment property portfolio of HK$91.7 billion as at 31 December 2019) of around HK$9.2 billion, compared to a revaluation gain of HK$1.4 billion for the year ended 31 December 2019.

Expected Net Loss

Taking into account the foregoing estimated financial results of the Group's Recurrent Businesses (which include a provision of HK$1.4 billion in respect of the SCL Project for the year ended 31 December 2020), property development businesses and investment property portfolio revaluation, the Group expects to report a net loss attributable to shareholders of the Company of around HK$4.8 billion (representing the midpoint of the estimated loss range of between HK$4.6 billion and HK$5.0 billion) for the year ended 31 December 2020, compared to a net profit of HK$11.9 billion for the year ended 31 December 2019.

2. 2020 PROVISION IN RESPECT OF THE SCL PROJECT

(i) Project Management Cost

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 the works they also increase the cost to the Company of carrying out its project management responsibilities under the relevant entrustment agreement.

As stated in the Company's announcements dated 28 February 2020, 5 March 2020, 7 July 2020 and 6 August 2020, given the uncertainty and potential financial impact to the Company in connection with the additional project management cost, at the appropriate time following further developments relating to this matter, the Company will recognise a provision in its consolidated profit and loss account to reflect the additional cost to the Company of completing its remaining project management responsibilities.

Following such announcements:

(a) by December 2020, the aggregate amount of project management fee paid by Government to the Company in accordance with the payment schedule contained in EA3 was substantially close to the Original PMC (excluding, for the avoidance of doubt, the additional project management fee of HK$1.4 billion previously sought by the Company) and has been expended in full by the Company. The additional funding sought by Government and approved by the Legislative Council did not include any additional project management fee of HK$1.4 billion which the Company had previously sought from Government. Therefore, the cost to the Company of continuing to comply with its project management obligations under 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 rights to pursue the courses of action and remedies available under EA3; and

(b) the Company has recently written to Government to restate the Company's belief that the Company is entitled (in accordance with the terms of 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 EA3. However, Government has responded to the Company by reiterating that Government considers there have not been any material modifications to any of the scope of works, entrustment activities and/or entrustment programme contained in EA3 and, as such, 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 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 EA3.

(ii) Provision

In light of the matters described in Section 2(i) 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 EA3) the cost to the Company of continuing to comply with its project management obligations, the Group has made a provision of HK$1.4 billion, for the additional cost to the Company of continuing to comply with its project management responsibilities, in its consolidated profit and loss account for the year ended 31 December 2020.

3. GENERAL

When taking into account the rail and property businesses of the Group as a whole, the Board is of the view that the overall financial position of the Group remains sound.

The financial information contained in this announcement is based on the preliminary unaudited management accounts of the Group and the information currently available to the Group which may be subject to adjustments. The actual results of the Group for the year ended 31 December 2020 have not been finalised and have not been audited by the auditor of the Group. The audited results of the Group for the year ended 31 December 2020 may be different from the information contained in this announcement.

The Board will continue to monitor the financial position and business prospects of the Group and will make further announcement(s) if appropriate.

Investors should exercise caution in their dealings in the securities of the Company. The price of the Company's shares may be subject to fluctuations.

The members of the Board who were appointed by Government pursuant to section 8 of the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong) or who hold a position in Government did not comment on, or approve, the contents of this announcement.

DEFINITIONS

"Airport Express"	means train service provided between AsiaWorld-Expo Station and Hong Kong Station;
"**Board**"	means the board of directors of the Company;
"Bus"	means feeder bus services operated in support of the West Rail Line, East Rail Line and Light Rail;
"**Company**"	means MTR Corporation Limited;
"Cross-boundary"	means train services with destination to/commencing from Lo Wu and Lok Ma Chau stations;
"**Domestic Service**"	means the Tsuen Wan Line, Island Line, South Island Line, Kwun Tong Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line, East Rail Line (excluding Cross-boundary), Tuen Ma Line Phase 1 and West Rail Line;
"**EA3**"	means the entrustment agreement for the construction and commissioning of the SCL entered into between Government and the Company on 29 May 2012;
"Group"	means the Company and its subsidiaries;
"Government''	means the Government of the Hong Kong Special Administrative Region;
"High Speed Rail"	means Guangzhou-Shenzhen-Hong Kong High Speed Rail (Hong Kong Section);
"Intercity"	means the intercity passenger services operated between Hong Kong and major cities in the Mainland of China such as Beijing, Shanghai and Guangzhou;
"Light Rail"	means the train services of the light rail system serving the North West New Territories;
"Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Original PMC"	means the project management fee of HK$7,893 million payable by Government to the Company for carrying out the works specified in the SCL Agreements;
"Recurrent Businesses"	means the Group's Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, Mainland of China and international

	railway, property rental and management businesses and other businesses;
"SCL"	means the Shatin to Central Link;
"**SCL Agreement(s)**"	means: (i) the entrustment agreement for the design of, and site investigation and procurement activities in relation to, the SCL entered into between Government and the Company on 24 November 2008; (ii) the entrustment agreement for advance works relating to the SCL entered into between Government and the Company on 17 May 2011; and (iii) EA3;
"**SCL Project**"	means the project for the construction of the SCL; and
"Underlying Businesses"	means, together, the Recurrent Businesses and the Group's property development businesses.

By Order of the Board
Gillian Elizabeth Meller
Company Secretary

Hong Kong, 19 January 2021

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*, Dr Anthony Chow Wing-kin*, Dr Eddy Fong Ching*, James Kwan Yuk-choi*, Rose Lee Wai-mun*, Lucia Li Li Ka-lai*, Jimmy Ng Wing-ka*, Benjamin Tang Kwok-bun*, Johannes Zhou Yuan*, Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury)**, Secretary for Transport and Housing (Frank Chan Fan)**, Permanent Secretary for Development (Works) (Lam Sai-hung)** and Commissioner for Transport (Rosanna Law Shuk-pui)**

Members of the Executive Directorate: Dr Jacob Kam Chak-pui, Adi Lau Tin-shing, Roger Francis Bayliss, Margaret Cheng Wai-ching, Linda Choy Siu-min, Dr Peter Ronald Ewen, Herbert Hui Leung-wah, Dr Tony Lee Kar-yun, Gillian Elizabeth Meller, David Tang Chi-fai 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.