

CHAIRMAN'S LETTER



Dear Shareholders and other Stakeholders,

A company's success is usually measured by its financial results, such as its sales or profit generated. At MTR Corporation Limited, however, we also judge our performance on how well we support our communities and add long-term value to the lives of the residents of the cities in which we operate. I am proud to report that, during the first half of 2021, as Hong Kong and the world fought to recover from the effects of the COVID-19 pandemic, MTR continued to go the extra mile to live up to its purpose of keeping cities moving.

Over these six months, we have prioritised the delivery of safe, efficient and on-time services for our passengers. We have striven to ensure the health of our staff and the hygiene of our workplaces. We have also reviewed our fares, ticket offerings and rents to help ease the economic burdens of our customers and retail tenants. None of this would have been possible without the dedication and professionalism of our employees, and I salute each and every one of them for their courageous efforts during these difficult times.

The Company also enjoyed a number of notable business achievements during the period under review. In June

2021, we opened the full Tuen Ma Line – Hong Kong's longest railway line – further enhancing connectivity and linking communities with a seamless new service. We are making progress on the Hung Hom to Admiralty Section of the Shatin to Central Link, while four new railway projects are also moving forward. Our property business awarded tenders for two new development packages. Meanwhile, we continued to improve the customer experience with facility upgrades and new smart mobility initiatives.

On a holistic level, MTR is working hard to transform itself into a more environmentally and socially responsible company, one that can successfully take on the challenges of tomorrow and grow symbiotically and sustainably with the communities it serves. Last year we embarked on our Corporate Strategy transformation journey, "Transforming the Future", which outlines our plan for achieving this goal. By emphasising strengthened environmental, social and governance ("ESG") principles and employing innovation and technology to maintain our world-class levels of service, we are confident that MTR will remain a crucial backbone for Hong Kong as we keep the city moving towards future prosperity.

CORPORATE STRATEGY

Since announcing the launch of our new Corporate Strategy in 2020, we have been moving ahead full steam to turn this blueprint for success into a reality. “Transforming the Future” sets out how we will continue delivering on our fundamental purpose – to Keep Cities Moving – by strengthening three key pillars: further building our core Hong Kong business, expanding our Mainland China and international businesses, and developing a new growth engine in areas such as railway technology and Mobility as a Service to reinforce our businesses for long-term growth.

To build a company that is fit for the future, we must embrace changes by adapting our mindset and being agile enough to respond quickly to shifting trends. Innovation and digitalisation will play important roles in the new world. We are also setting business and social targets that contribute to both the long-term sustainability of our company and the communities that we serve. We continue to shape our organisation around a robust ESG regime that is embedded into our decision-making processes to ensure that we move forward in concert with our communities – providing value to all of our stakeholders and fulfilling aspirations for sustainable growth, environmental protection and societal benefit.

BUSINESS PERFORMANCE AND GROWTH

One of the most important events of the first six months of the year was the commencement of service for the full Tuen Ma Line at the end of June. Linking the eastern New Territories, western New Territories and eastern Kowloon, the 56-km Tuen Ma Line further extends our comprehensive network and marks another important milestone for Hong Kong’s railway system. We are pleased that we have been able to commission this service and provide enhanced connectivity to passengers.

Elsewhere, work has continued apace on other important projects. The design of the Tung Chung Line Extension and Tuen Mun South Extension is progressing. For the Northern Link project, a project that will greatly increase transport convenience for the New Territories North, we awarded the consultancy for detailed planning and design of Kwu Tung Station in April and the preliminary design consultancy for the main line and associated stations in July. We were also pleased to be invited by Government in May to proceed with detailed planning and design for Hung Shui Kiu Station, which will serve future populations in the Hung Shui Kiu/Ha Tsuen New Development Area. Regarding the recommendations made in the Commission of Inquiry’s reports on the Hung Hom Station Extension of the Shatin to Central Link, the Company has implemented the majority of these and is progressing with the remaining ones.

As a global leader in railway transit, delivering a world-class passenger experience is one of our top priorities. During the period under review, we strived as always to improve our facilities and make travel via MTR as easy as possible for customers of all ages and walks of life. Enhancements to lifts and escalators will make our stations more accessible, while baby care rooms, new and refurbished toilets, improved air conditioning and priority seats on platforms will add comfort to the passenger journey. Recent improvements to our popular MTR Mobile – such as offering more information on platform waiting times and a “Book Taxi” function where passengers can also access taxi services – underscore the importance of innovation to our business and service delivery. We also launched QR code ticketing that gives passengers the option of using MTR Mobile and AlipayHK to pass through entry and exit gates. Of course, public health and safety remained at the top of our minds as the world continued to recover from the COVID-19 pandemic. In addition to keeping our facilities clean and sanitised and safeguarding our staff with personal protective equipment, we also installed lift button sensors to give passengers the option of touch-free access to lifts.

The Company awarded two new property development packages in the first half of the year. In April, we awarded the last phase of THE SOUTHSIDE, Package 6, while THE SOUTHSIDE Package 5 was awarded in January. Subject to market conditions, in the next 12 months or so we plan to tender out property development projects at the Tung Chung Traction Substation and Pak Shing Kok Ventilation Building sites, as well as the Tung Chung East Station Package 1 subject to our entering into a project agreement for the Tung Chung Line Extension with Government.

Mainland of China and international markets are key to MTR’s future growth. In the first half of the year, we continued to seek attractive transit-oriented development opportunities outside Hong Kong. We also launched a Global Operations Standard that will leverage our strong capabilities in railway operations to establish a model for the future in the other cities where we operate.

FINANCIAL PERFORMANCE

Although patronage and mall foot traffic improved during the period under review, these figures remained soft compared to pre-COVID-19 levels due to on-going anti-pandemic measures and boundary closures. As a result, profit attributable to equity shareholders arising from our recurrent businesses increased by 110.6% to HK\$912 million when compared to the same period last year. Together with profit from our property development businesses, which decreased by 39.5% to HK\$3,147 million, profit attributable to shareholders from our underlying businesses was HK\$4,059 million, 27.9% lower than

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the first half of last year. Including the loss arising from the revaluation of our investment properties, the net profit attributable to shareholders of the Company was HK\$2,673 million compared to a net loss of HK\$334 million in the same period in 2020. Earnings per share after the revaluation loss were HK\$0.43. Your Board has declared an interim dividend of HK\$0.25 per share, the same as in 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We live in an increasingly interconnected world in which, to be sustainable in the long term, businesses are expected by all of their stakeholders – including their investors – to address material environmental and social issues. Therefore, at a large company like MTR that operates a variety of businesses around the world, strong ESG principles should inform virtually every decision and action that we take. In our Corporate Strategy, “Transforming the Future”, we have laid out how we plan on embedding ESG principles within the Corporation to ensure that we deliver value for all of our stakeholders. Our plan covers three key areas: reducing greenhouse gas emissions, promoting social inclusion, and promoting advancement and opportunity for society.

Environmental Aspects

As a global leader in an environmentally friendly form of mass transit, we are well placed to make positive contributions to the fight against climate change. However, we also know that there are things we can do to further reduce the emissions generated by our own operations and help Hong Kong and the world strive to achieve a carbon-neutral future. To this end, we are currently undertaking a decarbonisation study to identify the strategy and steps – and investment – needed for MTR to achieve carbon-neutrality.

In the first half of 2021, we arranged HK\$4.8 billion of green finance to support our sustainable development and fund projects that conserve energy, protect the environment, and enhance and expand low-carbon railway services. We launched a solar energy system at our Headquarters Building and commenced pilot tests of different solar photovoltaic systems at Hin Keng Station. Early this year we joined the Environmental Protection Department's one-year Reverse Vending Machine (“RVM”) pilot scheme, installing four RVMs at Telford Plaza, Paradise Mall, Admiralty Centre and The LOHAS. These RVMs allow people to return used plastic beverage containers for recycling and receive instant rebates via e-payment. Our brand-new “Carbon Wallet” mobile app promotes carbon reduction across different lifestyle categories, enabling users to earn points based on actions

they take to reduce carbon emissions – such as recycling or filling reusable bottles at drinking water stations – which in turn can be redeemed for green products and/or services from MTR business partners.

Social Aspects

MTR serves people of all backgrounds around the world every day. Therefore, social inclusion is at the very heart of who we are. We seek to ensure that our services are accessible and affordable for all; we recognise the benefits of a diverse and inclusive workforce; and we support and seek to recognise – through, for example, our station art programme – the diversity of the communities in which we operate.

Over the past year and a half, as COVID-19 continued to affect the economy and people's livelihoods, we launched a series of special relief measures including giving additional fare rebates to passengers to ensure they could continue taking the journeys they needed. We also provided free Airport Express tickets to healthcare workers needing to travel to AsiaWorld-Expo Station.

Globally, we employ people of over 100 different nationalities, and we want to ensure that they all feel at home at MTR. Our efforts to increase the percentage of women qualifying as train drivers in the UK and Australia have been celebrated, and we will be looking to further increase the diversity of our workforce in Hong Kong.

The pandemic has also not dampened our spirit to promote social inclusion through a number of community and charitable programmes. MTR organised a photography workshop with the Arts with the Disabled Association Hong Kong, during which visually impaired persons could experience the fun of photography and craft their own creative works at Hong Kong West Kowloon Station. In May, the Company arranged a free visit to the Shek Kong Stabling Sidings facilities for ethnic minority families. In June, the Company arranged for some 400 participants from NGOs and community organisations to join the Sung Wong Toi Station Open Day prior to the full opening of the Tuen Ma Line to get an early glimpse of our latest railway facilities.

Our stations and facilities make ideal spaces for celebrating the diversity of the community through the arts. With the service commencement of the full Tuen Ma Line, three new artworks inspired by archaeological finds, residents' precious memories and items misplaced by passengers were introduced in Sung Wong Toi, To Kwa Wan and Hung Hom stations. “Live Living: JCCAC Arts@ MTR”, hosted at Central Station, featured more than 40 artworks by eight resident artists from the Jockey Club Creative Arts Centre who used a diverse range of media to portray memories of Hong Kong as home.

Volunteering continues to be a key corporate responsibility commitment to our community, which we fulfilled despite the challenges of COVID-19. In the first half of 2021, we organised 26 volunteering projects to support the underprivileged groups under our “More Time Reaching Community” Scheme. MTR Volunteers also joined the hiking trail clean-up event organised by HandsOn Hong Kong.

Our staff also made monetary contributions to several worthy causes in the first half of 2021, raising more than HK\$330,000 in donations for charity. As a result of efforts of similar nature, we received a number of awards from The Community Chest recognising the generosity of our staff. They included the Diamond Award in the Corporate and Employee Contribution Programme, the 4th Top Fundraiser Award in the Employee Contribution Programme, and the 2nd Highest Donation Award in the CARE Scheme under the “Companies & Organisations” category.

In terms of advancement and opportunities, the pandemic has underscored the importance of promoting emotional wellness in the workplace as well as providing work-related or technical training for our staff. To support our staff in these difficult times, we have created an emotional wellness learning portal that includes a self-assessment questionnaire on emotion, wellness videos and e-books, and counselling service information. We are also piloting a work-from-home arrangement to complement the staggered working hours policy introduced last year, thus promoting a family-friendly, progressive and flexible working environment. To fight the pandemic together with the community, the Company, with assistance from Government, arranged COVID-19 vaccination outreach services at Kowloon Bay Depot for our staff and their dependants. The Company was the first public transport operator to participate in COVID-19 vaccination outreach.

We also continue to provide opportunities for our supply chain partners. To help them manage the impact of COVID-19 on their businesses, we provided rental relief to shopping mall and station tenants, focusing on small- and medium-sized tenants. We are also exploring partnerships with several start-up businesses through our work on digitalisation and innovation, recognising that, as we grow, it is beholden on us to create opportunities for others to benefit from that growth and advance themselves or their businesses.

Governance

MTR is committed to practising sound corporate governance in order to fulfil its corporate purpose effectively and protect the interests of its shareholders and stakeholders. We have recently undertaken an

externally facilitated board evaluation exercise focused on ensuring that our Board is fit for purpose to support the implementation of the new Corporate Strategy. The recommendations from this review will be discussed at the Board in the coming months. We will continue to review our corporate governance on a regular basis to ensure that our practices meet or exceed global standards.

MTR’s overall efforts in sustainability have led the Company to be listed in several top performance indices. We are a constituent of the Dow Jones Sustainability Indices Asia Pacific and a Constituent of the FTSE4Good Index Series. We have also achieved an AAA rating in the MSCI ESG Leaders Indexes and “Prime Status” in the ISS ESG Corporate Rating and were included in the S&P Sustainability Yearbook 2021. In addition, the Company was ranked sixth in the 6th Hong Kong Business Sustainability Index, fifth in the 2nd Greater Bay Area Business Sustainability Index and ninth in the 1st Greater China Business Sustainability Index.

ACKNOWLEDGEMENTS AND APPRECIATION

Although there is still a long road ahead, my fellow members of the Board have done an exceptional job of providing guidance during these difficult times. I am confident that, with their continued leadership, MTR will persevere and emerge from COVID-19 stronger than ever.

I would like to thank Mr James Kwan Yuk-choi and Mrs Lucia Li Li Ka-lai, who retired as Independent Non-executive Directors of the Board on 26 May 2021, for their invaluable contributions to the Company. I also welcome Mr Hui Siu-wai and Mr Adrian Wong Koon-man as Independent Non-executive Directors of the Board, whose appointments were effective from 26 May 2021.

In closing, I would like to applaud my colleagues once again for their efforts to support the recovery of Hong Kong and the global communities we serve. We have learned a number of valuable lessons over the past few years – not least of which are the character and resolve our people demonstrate in the face of adversity – and I believe we are ready to serve the public and our stakeholders even better in the future.



Dr Rex Auyeung Pak-kuen
Chairman
Hong Kong, 12 August 2021