



## CHAIRMAN'S LETTER

Composite photograph at To Kwa Wan Station

### Dear Shareholders and other Stakeholders,

The period under review was a difficult time for Hong Kong and for much of the world. In our home market, residents and businesses alike began 2022 with cautious optimism that the city would continue its gradual recovery from the pandemic while adapting to the “new normal”. However, the fifth wave of COVID-19 infections soon put this notion to rest. Meanwhile, on-going disruptions to global supply chains, rising inflation and geopolitical tensions have all created a level of macroeconomic pressures to a degree that has not been experienced in years.

Through it all, MTR Corporation has done its very best to continue providing safe, reliable and affordable mass transit for the communities it serves around the world. As I reflect on the first half of the year, I feel an immense level of pride in my colleagues – from the Board to our management and frontline staff – who have done a commendable job of keeping cities moving, irrespective of the circumstances. We were also able to achieve a number of important goals, including completing a major infrastructure project that has already had a profoundly positive impact on the lives of Hong Kong commuters. Despite all the challenges, we at MTR enter the remainder of the year with the same indomitable spirit as the people of the city we call home.

### CORPORATE STRATEGY

In the second half of 2020, we launched our Corporate Strategy, “Transforming the Future”. This strategy is designed to guide our future actions and growth in our three business pillars: “Hong Kong Core”; “Mainland China and International Businesses”; and “New Growth Engine”, which comprises investments in new technologies and innovations. Our Corporate Strategy also outlines a strong commitment to environmental, social and governance (“ESG”) principles. During the first six months of the year, we continued to bring this bold and comprehensive vision to life by transforming the Company’s organisational structure, strengthening our “three lines of defence” for enhanced risk management capability and management accountability, and defining our long-term ESG strategy according to clearly defined key performance indicators and objectives. We believe our Corporate Strategy will enhance our long-term prospects while contributing to the sustainable growth of the communities in which we operate.

## BUSINESS PERFORMANCE AND GROWTH

In May 2022, MTR proudly commenced service of the East Rail Line Cross-Harbour Extension, an occasion that also marked the completion of the much-anticipated Shatin to Central Link project, the opening of the new Exhibition Centre Station, and the extended sections of Admiralty and Hung Hom stations. This was a major milestone for the century-old East Rail Line, which now extends across Victoria Harbour to connect the New Territories and Kowloon with Hong Kong Island. Not only does the new full line offer commuters another choice to make their cross-harbour journeys, but it also greatly reduces travel times and adds convenience to people's lives. In addition, it represents the conclusion of an era of rail network expansion and the dawn of a new one as we gear up for the next stage of developing our city's transport infrastructure.

In our Hong Kong property business segment, we awarded the Pak Shing Kok Ventilation Building and Tung Chung Traction Substation Property Development projects in April and July 2022, respectively. These projects are expected to provide approximately 2,150 units to the local housing market. Our two new shopping malls in Tai Wai and Wong Chuk Hang continue to progress and are targeted to open in 2023, at which time they will greatly expand our retail portfolio while offering attractive and convenient retail options for commuters and neighbourhood residents.

Meanwhile, we continued moving forward with new projects that will provide railway links for populations across Hong Kong. The development scheme for the Tuen Mun South Extension was gazetted in January 2022 and was authorised in June 2022. The scheme for Kwu Tung Station, which forms part of the Northern Link project to connect communities across New Territories North, was gazetted in April 2022. While certain preliminary design works are being undertaken in respect of these two projects, we have yet to sign the project agreements with Government. As always, we will work closely with Government to bring to life projects that serve the needs of the Hong Kong public, including those stipulated in the Northern Metropolis Development Strategy for the city's future development and economic integration with the Guangdong-Hong Kong-Macao Greater Bay Area.

It was also a busy period for our businesses outside Hong Kong. In May 2022, we were pleased to witness the opening of the Central Operating Section of the Elizabeth line, an MTR-operated line that has brought a new era of safe, reliable and sustainable transport to London. During the reporting period, we also added the Upptåget line extension as part of Sweden's Mälartåg regional traffic service.

## FINANCIAL PERFORMANCE

During much of the first half of the year, the fifth wave of COVID-19 in Hong Kong led to the re-imposition of certain anti-pandemic and social distancing measures that negatively affected domestic patronage. Because of this, profit arising from our recurrent businesses decreased to HK\$284 million in the first six months of 2022, before the impairment provision of HK\$962 million for Shenzhen Metro Line 4. Together with profit from our property development businesses of HK\$7,786 million, profit attributable to shareholders from underlying businesses was HK\$7,108 million, 78.0% higher than the first half of last year. Including the loss arising from the fair value measurement of investment properties of HK\$2,376 million, net profit attributable to shareholders of the Company increased by 77.0% year on year to HK\$4,732 million, representing earnings per share of HK\$0.76. Your Board has declared an interim dividend of HK\$0.42 per share, as compared to HK\$0.25 per share in the same period last year.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

If our Corporate Strategy is the vehicle to sustainable future growth for MTR and the communities we serve, then ESG is the fuel that propels it. Over the past couple of years, we have fine-tuned our three key environmental and social objectives – Greenhouse Gas Emissions Reduction, Social Inclusion, and Advancement & Opportunities – by defining a total of 10 commitments and 35 key performance indicators to clearly outline our actions and track our progress. We have also published an annual Sustainability Report that provides in-depth updates about our sustainability-related initiatives and performance as well as detailed information on our objectives, focus areas and key performance indicators.

During the period, we made positive headway in a number of important areas. Meanwhile, we continue to hold ourselves to the highest global governance standards of accountability, transparency and responsibility to safeguard the interests of our valued shareholders and stakeholders.

### Reducing Greenhouse Gas Emissions

As a global leader in environmentally friendly mass transit, MTR strives to lead by example in the fight against climate change. We recently completed a comprehensive carbon reduction study and have committed to setting up science-based reduction targets for our railway and property businesses in Hong Kong for 2030, with a longer-term goal of achieving carbon neutrality by 2050.

In April 2022, following a series of pilot tests, we installed solar facilities at Hin Keng Station to promote the use of Clean Energy. As at the end of June 2022, 5,700 kWh of electricity had been generated for station use. This year, we signed a Memorandum of Understanding with the Hong Kong University of Science and Technology on the establishment of the HKUST-MTR Joint Research Laboratory to explore low-carbon smart city development. We have also commenced a high-level diagnostic climate study of our railway and property assets in Hong Kong to assess their exposure to climate-related physical risks. In the space of Waste Management, our Elements, Maritime Square and Admiralty Centre malls have joined the Environmental Protection Department's Food Waste Collection Programme. This year, we target to engage 25% of the food and beverage tenants at our shopping malls in our food waste reduction programme.

### Promoting Social Inclusion

One of MTR's core values is ensuring that our services are available to people from all walks of life. To support Universal Basic Mobility, we have made a pledge that all new stations will be fully accessible and barrier-free. Prior to commencing service for the East Rail Line Cross-Harbour Extension, we arranged pre-opening visits and guided tours at the new Exhibition Centre Station for non-profit organisations and groups for persons with disabilities, allowing participants to experience such barrier-free access first-hand.

In our focus area of Diversity and Inclusion, we sponsored the International Women's Day Virtual Lunch 2022 to

show our appreciation for the many achievements of women around the world. We also organised sharing sessions and webinars to raise staff awareness of diversity, equity and inclusion.

In support of Equal Opportunities for all, our staff continue to contribute their time to helping people in need under the "More Time Reaching Community" volunteering scheme. Twenty-six volunteering projects were organised in the first half of 2022 to serve our community, and such initiatives were particularly important during the fifth wave of COVID-19. Over this difficult time, MTR also donated to numerous organisations to support our community. In addition to providing Food Angel with food vouchers for 1,500 underprivileged families, the Company donated food vouchers, and face masks and gave support for emergency shelter services to ImpactHK to benefit 550 homeless people, and it handed out groceries and masks to The Zubin Foundation's Care Box Project in support of 100 ethnic minority families. The Company has received a number of awards from The Community Chest and the Hong Kong Cancer Fund in recognition of its fundraising efforts.

### Fostering Advancement & Opportunities

Through our "Exploring the MTR" school talk programme and "Train' for Life's Journeys" initiative, we aim to help Hong Kong's youth develop innovative mindsets and skills for the future. We are currently developing the latter according to the theme of "Achievement • Inclusion • Dream" to help young students from different cultural and linguistic backgrounds experience the benefits of working together towards common goals. This programme will include sharings, workshops and non-profit organisations visits to help participants understand the needs of different segments of the community. To foster innovation, more than HK\$300 million has been allocated for investing in start-ups in the next few years. Our new subsidiary, MTR Lab Company Limited, also signed a Memorandum of Understanding with Hong Kong Cyberport Management Company Limited to set up a two-year collaboration framework for joint investment in digital technology start-ups.

We have taken several initiatives to ensure staff well-being during these difficult times, including enhanced medical support, a dedicated 24-hour medical hotline, and virtual medical consultations for infected staff and their eligible dependants. In March 2022,

we provided our staff with care packs containing anti-pandemic supplies such as rapid antigen test kits, demonstrating our support in the fight against COVID-19. We also formed a Pandemic Caring Team comprising more than 300 staff volunteers from all levels of the organisation to deliver supplies and medication to over 150 infected staff with emergency needs. In addition, we offered a self-learning initiative on our Emotional Wellness Learning Portal as well as a series of webinars, wellness blog posts, micro-videos and online games to support staff's emotional well-being.

We are proud that our ESG and sustainability efforts have been recognised in several leading benchmark indices. MTR has been included in S&P Global's "The Sustainability Yearbook 2022" for the third consecutive year for performance achievements ranking within the top 15% of the industry. Among more than 7,500 companies that were assessed, just over 700 were selected. We are pleased that MTR was awarded an AAA rating in the MSCI ESG Leaders Indexes and "Prime Status" in the ISS ESG Corporate Rating. We are also a constituent of the Dow Jones Sustainability Indices (DJSI) Asia Pacific, FTSE4Good Index Series, Hang Seng Corporate Sustainability Index and Hang Seng ESG 50 Index; all of which serve as testimonial of MTR's unflinching efforts in the ESG space.

## Governance

We review our corporate governance practices on a regular basis to uphold the highest standards of governance, ethics and transparency for the benefit of our shareholders and stakeholders. Recently, the Board underwent a review by an external consultant to assess its ability to effectively implement the Company's Corporate Strategy. Following this Board evaluation exercise, the Board Committees were revamped effective 1 February 2022 by establishing a new Finance & Investment Committee and a new Technology Advisory Panel, combining the former Audit Committee and the former Risk Committee to become the Audit & Risk Committee, and updating all the Board Committees' terms of reference. As part of our commitment to diversity and inclusion, the Board has a committed level of female members on the Company's Board of Directors, which shall be no less than 20% with immediate effect and 25% by 2025. To ensure an appropriate level of new perspectives on the Board from time to time, the reappointment of any independent non-executive director of the Company who has completed three consecutive terms of service

(each of three years) shall require a recommendation from the Company's Nominations Committee for his/her reappointment that includes reason(s) explaining why he/she is still considered to be independent and nominated for reappointment.

To add to the Company's efforts to reduce its carbon footprint, this year we successfully held our first-ever Annual General Meeting using a hybrid format, which provided our shareholders with the option of attending the meeting either physically or online.

## ACKNOWLEDGEMENTS AND APPRECIATION

An organisation is only as strong as its people. I would like to take this opportunity to acknowledge the leadership and contributions of Dr Anthony Chow Wing-kin, Dr Eddy Fong Ching and Mr Benjamin Tang Kwok-bun, who retired from the Board on 25 May 2022. I would also like to welcome Mr Sunny Lee Wai-kwong and Mr Carlson Tong, who have been appointed as Independent Non-executive Directors of the Company with effect from 25 May 2022. Meanwhile, I am pleased to welcome Mr Lam Sai-hung (Secretary for Transport and Logistics), who joined the Board as a Non-executive Director in July this year. Last but not least, I would like to thank Mr Frank Chan Fan (former Secretary for Transport and Housing) for his valuable contributions to the Board and the Company during his tenure.

We are living in extraordinary times. To overcome the challenges of today, everyone at MTR must keep working together closely to build an even stronger organisation that can contribute to a brighter, more sustainable tomorrow for all. In this spirit, I have no doubt that the professionalism, excellence and dedication of my colleagues will enable MTR to strengthen its position as a global leader in rail transport and a dependable public transport bedrock of the local community.



Dr Rex Auyeung Pak-kuen  
Chairman  
Hong Kong, 11 August 2022