CEO'S REVIEW OF OPERATIONS AND OUTLOOK

Composite photograph at Admiralty Station

Dear Shareholders and other Stakeholders,

The first six months of 2022 were marked by significant accomplishments but also considerable external challenges. We welcomed the opening of an important extension that brings added convenience to the lives of millions of passengers, and we moved forward with property development projects that will add thousands of residential units to Hong Kong's housing supply. However, the fifth wave of COVID-19 that struck in the early part of 2022 necessitated the reintroduction of anti-pandemic measures and the continuation of boundary closures, both of which have had substantial impacts on patronage. Meanwhile, global inflation, on-going supply chain disruptions and geopolitical issues are causing great uncertainty as we move into the second half of the year.

The highlight of the period under review was undoubtedly the service commencement of the East Rail Line Cross-Harbour Extension in May 2022, which marked a momentous occasion in the century-long history of the East Rail Line. With the new trains and signalling system that have been procured for this new extension, passengers from the Northeast New Territories and Central Kowloon can travel directly to Hong Kong Island without having to interchange, cutting travel times and increasing convenience for thousands of travellers each day. The project concludes a major phase of rail network development for Hong Kong, and we are now working with Government on future projects that will help further boost connectivity and growth across the territory.

Also in May 2022, we celebrated the service launch of the Central Operating Section of the Elizabeth line in the UK. Our subsidiary – which is responsible for overseeing daily operations for the 100km-plus line – helped achieve this major milestone for railway development in London, one that greatly increases the city's rail capacity. The new service also represents our continued efforts to expand our business and bring our expertise to other major markets around the world.

We are moving at full steam ahead to implement our Corporate Strategy. The first half of the year saw us continue to transform into an organisation which is fit-for-future, while engaging and communicating with all levels of staff. We also carried out initiatives to accomplish our environmental, social and governance ("ESG") aims of achieving Greenhouse Gas Emissions Reduction, supporting Social Inclusion, and promoting Advancement and Opportunities for our communities and staff. These initiatives are designed to meet specific objectives with clear key performance indicators in place. Moreover, our New Growth Engine pillar, operating under our new subsidiary MTR Lab Company Limited, is actively seeking opportunities to collaborate with the innovation and technology ecosystem to co-create a smart and sustainable future city.

Despite the difficulties encountered during the reporting period, we continued to do our very best to keep Hong Kong and other cities that we serve around the world moving, ensuring the health and safety of passengers and staff while providing world-class service and introducing new innovations to continually improve the customer experience. Over the first six months of the year, we once again achieved world-class 99.9% performance in both train service delivery and passenger journeys on-time for our heavy rail network in Hong Kong.

We awarded the tender for the Pak Shing Kok Ventilation Building and Tung Chung Traction Substation Property Development projects in April and July 2022 respectively, moving our growing property portfolio forward. These residential projects are expected to add approximately 2,150 units to the local housing market.

The fifth wave of the COVID-19 pandemic had inevitable impacts on our patronage. Profit arising from our recurrent businesses decreased by 68.9% to HK$284 million for the first half of 2022 before the HK$962 million impairment provision made in respect of Shenzhen Metro Line 4 ("SZL4"). Property development profit over the same period increased by 152.7% to HK$7,786 million. As a result, profit arising from our underlying businesses increased by 78.0% to HK$7,108 million. Including the loss arising from the fair value measurement of our investment properties of HK$2,376 million (a non-cash accounting item), net profit attributable to shareholders of the Company was HK$4,732 million, representing earnings per share of HK$0.76.

As mentioned in the 2021 Annual Report, and subject to the financial performance and future funding needs of the Company, we expect to pay two dividends each financial year with interim and final dividends payable around October and July, respectively, and the interim dividend representing around one-third of the total dividends to be paid for the entire year. Your Board has declared an interim dividend of HK$0.42 per share, as compared to HK$0.25 per share for the same period last year.

HONG KONG BUSINESSES

MTR's Hong Kong businesses include its rail and bus operations plus station commercial activities such as retail and advertising – collectively known as "Hong Kong Transport Services" – as well as development, rental and management activities for its portfolio of railway-linked properties. Together, these represent the core component of MTR's overall business and one of the three major pillars supporting the Company's future growth strategy. This "Rail plus Property" business model not only provides a sustainable funding framework for railway construction, operation and upkeep to ensure the delivery of world-class railway services, but also promotes transit-oriented development ("TOD") and integrated communities along our railway lines, helping develop many new communities and revitalising older urban areas of Hong Kong.

Over the first six months of 2022, patronage and revenue decreased compared to the same period in 2021 due to the fifth wave of the COVID-19 pandemic. A major highlight of the period under review was the opening of the East Rail Line Cross-Harbour Extension, which brought to completion the much-anticipated Shatin to Central Link.

Composite photograph at Hung Hom Station

HONG KONG TRANSPORT SERVICES

TRANSPORT OPERATIONS

HIGHLIGHTS

- Opened the East Rail Line Cross-Harbour Extension in May 2022
- Maintained world-class 99.9% train service delivery and passenger journeys on-time
- No fare adjustment in 2022/23

HK$ million	Six months ended 30 June 2022	2021	Inc./(Dec.) %
Hong Kong Transport Operations			
Total Revenue	**5,815**	6,004	(3.1)
Operating (Loss)/Profit before Depreciation, Amortisation and Variable Annual Payment ("EBITDA")	**(116)**	251	n/m
(Loss)/Profit before Interest, Finance Charges, Taxation and after Variable Annual Payment ("EBIT")	**(2,775)**	(2,285)	(21.4)
EBITDA Margin (in %)	**(2.0)%**	4.2%	n/m
EBIT Margin (in %)	**(47.7)%**	(38.1)%	(9.6)% pts.

n/m: not meaningful

Revenue from Hong Kong transport operations over the first six months of 2022 decreased by 3.1% to HK$5,815 million compared to the HK$6,004 million recorded over the same period last year, leading to a loss before interest, finance charges, taxation and after the variable annual payment of HK$2,775 million. These results reflected the continuing negative impact of the COVID-19 pandemic, particularly the outbreak of the fifth wave.

Patronage and Revenue

	Patronage In million		Revenue HK$ million	
	Six months ended 30 June 2022	Inc./(Dec.) %	**Six months ended 30 June 2022**	Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service*	**570.5**	(11.7)	**4,782**	(4.4)
Cross-boundary Service	**0.2**	(13.0)	**2**	–
High Speed Rail	**–**	n/m	**723**	11.1
Airport Express	**1.0**	(0.6)	**33**	(35.3)
Light Rail and Bus	**77.7**	(12.3)	**248**	(7.5)
Intercity	**–**	n/m	**–**	n/m
	649.4	(11.8)	**5,788**	(3.1)
Others			**27**	(15.6)
Total			**5,815**	(3.1)

* *Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service) and Tuen Ma lines*

n/m: not meaningful

Following a period of recovery in the domestic market last year, patronage declined once again in early 2022 due to the fifth wave of COVID-19 infections. Total patronage for all rail and bus services was 649.4 million compared to the 735.9 million recorded over the corresponding period in 2021, representing a decrease of 11.8%. Average weekday patronage decreased by 11.9% to 3.85 million. Patronage for the Cross-boundary Service, High Speed Rail ("HSR") and Intercity remained severely impacted due to the on-going boundary closures between Hong Kong and Mainland China 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. Patronage for Airport Express remained relatively steady at 1 million, reflecting the continued impact of pandemic-related measures on air passenger numbers.

During the period under review, MTR continued to offer attractive fare promotions to drive ridership and help offset the economic effects of the pandemic on passengers. The Company also made further enhancements to its popular "MTR Mobile" app and introduced new QR code ticketing payment options to make commuting even easier and more convenient.

Market Share

The Company's overall market share of the franchised public transport market in Hong Kong was 47.2% over the first five months of 2022 compared with 46.2% during the corresponding period in 2021. This was mainly due to additional patronage gained from the full openings of the Tuen Ma Line in June last year and the East Rail Line cross-harbour extension in May this year. Of this total, our share of cross-harbour traffic was 67.1% compared with the 66.7% recorded in the first five months of 2021. Our share of the cross-boundary business, including HSR and the Cross-boundary Service, was 0% due to on-going boundary closures resulting from the pandemic. Our share of traffic to and from the airport over the first five months of 2022 fell to 16.3% from 21.0%, mainly due to the denominator effect resulting from a sharp increase in inbound travellers who were normally under closed-loop quarantine and thereby unable to use any public transport.

Fare Adjustment, Promotions and Concessions

In March 2022, MTR announced that there would be no adjustment of fares in 2022/23 according to the fare adjustment mechanism ("FAM") and that the Overall Fare Adjustment Rate, calculated at 0.5%, would be rolled over to 2023/24. Including the -1.85% fare decrease in 2021/22, this marked the third consecutive time with no fare increase under the FAM. MTR also announced that its special 3.8% fare rebate (0.8% on top of the committed 3.0% rebate under the FAM) would be extended till 1 January 2023, a measure designed to help offset the adverse economic effects of COVID-19 on customers. In addition to the extension of the 3.8% fare rebate, the Company announced there would be no price adjustments for "Monthly Pass Extras", "MTR City Saver" and the "Tuen Mun–Nam Cheong Day Pass"; that the 35%-off "Early Bird Discount Promotion" would be extended until 31 May 2023; and that the interchange discount (HK$0.3 or above) for Green Minibuses covering more than 500 designated routes would be continued. In total, these promotions are worth over HK$600 million for 2022/23. To further reduce economic hardship and promote accessibility and inclusivity, the Company also continued to offer approximately HK$2.2 billion in on-going fare concessions to customers from all walks of life, including commuters, the elderly, children, eligible students and persons with disabilities.

The FAM is normally reviewed every five years. The next review is expected to begin in the second half of this year and conclude in the first half of 2023. The FAM after review will take effect in June/July 2023. Preparation work for the review has already commenced.

Service Performance

MTR continued to achieve excellent service reliability during the reporting period with passenger journeys on-time and train service delivery rates of 99.9% along its heavy rail network. Such performance exceeds the Company's Operating Agreement and its own even more demanding Customer Service Pledge.

In the first half of 2022, MTR ran more than 0.78 million trips on its heavy rail network and more than 0.42 million trips on its light rail network, with just four delays lasting 31 minutes or more and attributable to factors within the Company's control on the former and no delays of such nature on the latter. We place the highest possible priority on passenger safety, and we closely review all incidents with the objective of preventing similar situations from occurring again.

Enhancing the Customer Experience

From delivering safe, reliable and affordable transport services to building high-quality commercial and residential properties, MTR is committed to providing a world-class customer service experience. During the first six months of the year, the Company continued to expand and improve its Hong Kong transport network, enhance the comfort of its trains and stations, and embark upon exciting new smart technology initiatives designed to make commuting faster, easier and more enjoyable than ever.

Boosting Passenger Convenience

On 15 May 2022, the East Rail Line Cross-Harbour Extension commenced service, signifying the completion of the Shatin to Central Link project. In addition to creating Hong Kong's fourth rail line crossing Victoria Harbour, the extension includes the new Exhibition Centre Station, the expanded Admiralty and Hung Hom stations, and renovated platforms and enhanced facilities along the East Rail Line. To celebrate the opening, MTR welcomed 2,000 people to take the inaugural ride of the new service from Exhibition Centre Station to Hung Hom Station. The Company also distributed 100,000 free domestic single-journey rides, which were available to registered users of MTR Mobile on a first-come, first-served basis. The East Rail Line Cross-Harbour Extension provides another convenient option for passengers to travel throughout the territory and underscores MTR's purpose to "keep cities moving".

Greater Comfort for Passengers

MTR has ordered 93 new heavy rail eight-car trains and 40 new light rail vehicles as part of its programme to retire older trains and vehicles and replace them with new models. As at 30 June 2022, the Company had received delivery of 13 new eight-car heavy rail trains. Twenty-two new light rail vehicles had also been delivered, of which 18 had been put into passenger service.

Under our chiller replacement programme, a total of 154 chillers will be replaced with newer, more energy-efficient models that will reduce about 15,000 tonnes of CO2 and deliver increased comfort for station passengers. The last phase, which involves the replacement of the remaining 33 chillers, is expected to be completed in 2023. A new replacement programme will follow, and a total of 31 chillers are expected to be replaced progressively from 2023 to 2026 to achieve further reduction in CO2 emissions.

Operations Performance in the first half of 2022

Service Performance Item	Performance Requirement	Customer Service Pledge Target	**Actual Performance**
Train service delivery			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line and South Island Line	98.5%	99.5%	**99.9%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.8%**
– East Rail Line [(1)]	98.5%	99.5%	**99.9%**
– Tuen Ma Line [(2)]	N/A	N/A	**N/A**
– Light Rail	98.5%	99.5%	**99.9%**
Passenger journeys on-time			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line and Disneyland Resort Line	98.5%	99.5%	**99.9%**
– Airport Express	98.5%	99.0%	**99.9%**
– East Rail Line [(1)]	98.5%	99.0%	**99.9%**
– Tuen Ma Line [(2)]	N/A	N/A	**N/A**
Train punctuality			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line and South Island Line	98.0%	99.0%	**99.9%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line [(1)]	98.0%	99.0%	**99.9%**
– Tuen Ma Line [(2)]	N/A	N/A	**N/A**
– Light Rail	98.0%	99.0%	**99.9%**
Train reliability: train car-km per train failure causing delays ≥5 minutes			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	N/A	850,000	**4,439,889**
– East Rail Line and Tuen Ma Line	N/A	850,000	**7,746,652**
Ticket reliability: smart ticket transactions per ticket failure			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line, Airport Express, East Rail Line and Tuen Ma Line	N/A	11,500	**40,720**
Add value machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line	98.0%	99.0%	**99.9%**
Ticket machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.8%**
– East Rail Line	97.0%	99.0%	**99.9%**
– Tuen Ma Line	97.0%	99.0%	**99.8%**
– Light Rail	N/A	99.0%	**99.8%**
Ticket gate reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.9%**
– East Rail Line	97.0%	99.0%	**99.9%**
– Tuen Ma Line	97.0%	99.0%	**99.9%**
Light Rail platform Octopus processor reliability	N/A	99.0%	**99.9%**
Escalator reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line	98.0%	99.0%	**99.9%**
Passenger lift reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.8%**
– East Rail Line	98.5%	99.5%	**99.9%**
– Tuen Ma Line	98.5%	99.5%	**99.8%**
Temperature and ventilation			
– Trains, except Light Rail: to maintain a cool, pleasant and comfortable train environment generally at or below 26ºC	N/A	97.5%	**99.9%**
– Light Rail: on-train air-conditioning failures per month	N/A	<3	**0**
– Stations: to maintain a cool, pleasant and comfortable environment generally at or below 27ºC for platforms and 29ºC for station concourses, except on very hot days	N/A	93.0%	**99.9%**
Cleanliness			
– Train compartment: cleaned daily	N/A	99.0%	**99.9%**
– Train exterior: washed every two days (on average)	N/A	99.0%	**100%**
Northwest transit service area bus service			
– Service Delivery	N/A	99.0%	**99.7%**
– Cleanliness: washed daily	N/A	99.0%	**100%**
Passenger enquiry response time within six working days	N/A	99.0%	**100%**

Notes:

1 *The performance requirement, customer service pledge target and actual performance result will be available upon completion of two-year revenue operations of the East Rail Line Cross-Harbour Extension which commenced services on 15 May 2022. The figure reflects from January to May only.*

2 *The performance requirement, customer service pledge target and actual performance result will be available upon completion of two-year revenue operations of the Tuen Ma Line.*

Our existing signalling system ("SACEM System") is in the process of being replaced and upgraded along the Island, Tseung Kwan O, Kwun Tong and Tsuen Wan lines.

While the replacement of the signalling hardware along our tracks has been progressing well, the contractor is taking longer than expected to complete the software safety assurance processes required by the Corporation, due to the technical complexities involved and the pandemic situation. This work is of critical importance to assure the safety of the new signalling system and we shall continue to work closely with the contractor to progress the project.

Taking into account the significant challenges encountered in the signalling replacement project in terms of programme and costs, we have:

- taken steps to ensure that the programme to bring in the new trains can proceed as planned (by equipping the trains in stages with the SACEM System) and the first of the 93 new trains is expected to come into service in the fourth quarter of 2022;
- embarked upon certain asset replacements in the SACEM System, so as to be able to continue to provide quality and reliable train services in the short term; and
- started to study alternative options which might deliver improved outcomes and their associated costs within a reasonable time span. There are a number of options being studied which include the possibility of upgrading the existing SACEM System for the long run as a possible alternative to the full implementation of the new signalling system.

We continually work to ensure that our stations are accessible and comfortable for passengers. In 2022, we furthered our "Go Smart Go Beyond" programme by introducing smart toilets in Central, Exhibition Centre, Hong Kong and Tsim Sha Tsui stations, which provide passengers with information on toilet availability and indoor air quality via digital displays. Other station enhancements include providing charging sockets for powered wheelchairs; refurbishing escalators and installing an escalator object identification system; repainting light rail stops for greater visibility and safety; and installing additional seats for passengers in need.

Smart Mobility, Operations and Maintenance

Innovation and technology are critical components of MTR's Corporate Strategy, and they are also key drivers for identifying opportunities that can help us improve the customer experience and grow our business. In February 2022, we made purchasing tickets even more convenient and flexible by adding UnionPay and WeChat Pay to our QR code ticketing service along with the existing AlipayHK and MTR Mobile platforms. QR code payment now covers 96 MTR heavy rail stations. In May 2022, we introduced "Cross-Harbour Easy" at the concourse and interchange platform of Admiralty Station. This feature displays real-time traffic and frequency conditions along the Tsuen Wan and East Rail line platforms to help passengers choose the more time-saving route for their cross-harbour journeys. We also added Train Car Loading Indicator on platforms along the East Rail Line during the first half of the year. Throughout the period under review, we continued to provide the latest news, promotions and useful functions via our popular MTR Mobile app.

In addition to developing and launching cutting-edge technological features that help our passengers make the most of their journeys, we also strive to work smart behind the scenes to ensure world-class safety and reliability along our rail network. Earlier this year, MTR introduced the SACEM Remote Monitoring and Alarm Detection ("AI SACEM") platform, which the Company has been co-developing with Alibaba Cloud using artificial intelligence since 2021. AI SACEM streams fault log data via mobile connection for engineers to carry out Big Data analysis, enabling early fault detection and response. This platform has now been installed in our Operation Control Centre, Data Studio and three depot control centres.

During the period under review, MTR became the first global transport operator to join The Sandbox metaverse, a leading decentralised virtual gaming world. Under this partnership, MTR and The Sandbox will create a railway-focused immersive virtual space that mimics and gamifies the railway environment. Through this initiative, we aim to take the customer experience to a new level, bring MTR closer to the communities it serves and facilitate STEM education.

Composite photograph at Kowloon Station

HONG KONG TRANSPORT SERVICES

STATION COMMERCIAL BUSINESSES

HIGHLIGHTS

- Increase of 23 station shops with the opening of the East Rail Line Cross-Harbour Extension
- New data centre service launched in February 2022

HK$ million	Six months ended 30 June 2022	2021	Inc./(Dec.) %
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	**774**	808	(4.2)
Advertising Revenue	**352**	344	2.3
Telecommunication Income	**316**	302	4.6
Other Station Commercial Income	**39**	42	(7.1)
Total Revenue	**1,481**	1,496	(1.0)
EBITDA	**1,237**	1,276	(3.1)
EBIT	**1,098**	1,145	(4.1)
EBITDA Margin (in %)	**83.5%**	85.3%	(1.8)% pts.
EBIT Margin (in %)	**74.1%**	76.5%	(2.4)% pts.

In the first half of 2022, total revenue from all of our Hong Kong station commercial businesses decreased slightly by 1.0% year on year to HK$1,481 million. This was mainly due to lower rental revenue as a result of negative rental reversions on renewals and new lets.

Regarding the performance of each of our station commercial businesses, rental revenue from station shops decreased by 4.2% to HK$774 million, which was primarily attributed to negative rental reversions. To help counter the economic effects of the pandemic, we attracted and retained tenants by offering flexible and/or shorter-term leases, particularly to small to medium sized enterprises; reviewing our tenant mix to drive rental revenue and meet the changing needs of our customers; and introducing new brands to keep our retail portfolio fresh.

As at 30 June 2022, the total number of retail shops in our stations was 1,566, covering 68,656 square metres of station retail area. The net increase in the number of station shops compared with the first six months of last year was primarily due to the opening of new shops at Exhibition Centre Station. Rental reversion and average occupancy rates for our station kiosks were -13.5% and 97.4%, respectively.

To drive traffic and sales during the challenging period, MTR launched promotional campaigns for station shops via MTR Mobile and the MTR Points loyalty programme, leveraging the app's large user base to raise awareness of a variety of marketing initiatives. These included a Stamp Reward campaign to stimulate spending, especially during the third round of Government's Consumption Voucher Scheme. MTR also distributed station shop cash coupons to passengers to encourage spending and promoted new MTR Shops brands with station posters.

As at 30 June 2022, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 40% will expire in 2022, 26% in 2023, 20% in 2024, and 14% in 2025 and beyond.

In terms of trade mix, food and beverage accounted for approximately 34% of the leased area of our station kiosks (excluding Duty Free shops), followed by cake shops at 12%, convenience stores at 12%, passenger services at 11% and others at 31% as at 30 June 2022.

Riding on the popularity of the MTR Mobile app, we launched a brand new in-app sales platform, MTR e-Store, in May 2022. MTR e-Store offers MTR-branded merchandise and unique experiences for railway fans as well as the general public.

Revenue from advertising increased by 2.3% to HK$352 million in the first half of 2022 in spite of the challenging environment. However, the fifth wave of the COVID-19 pandemic disrupted consumption-related activities, and the outlook remains uncertain. We were able to record growth largely due to our strategy of moving towards digital panels, upgrading our content distribution speed and capability, and offering online-offline sales bundles via mobile app. During the period, we also introduced programmatic trading to our media business to attract online advertising spending and cater for the media market through precise audience targeting and the provision of more flexible, creative display options.

As at 30 June 2022, the total number of advertising units in our stations and trains had decreased to 42,792. This was due in part to the reduction of in-train tube cards in the new East Rail Line trains.

Revenue from our telecommunications business improved by 4.6% to HK$316 million in the first half of 2022. The data centre service at Tseung Kwan O has been up and running since February 2022. We are currently exploring other data centre opportunities. Elsewhere, 5G service has now been launched at 70 stations throughout our network. We are currently in detailed discussions with telecom operators about project requirements for a new commercial telecom system that supports more 5G services and even faster data throughput. We target to tender the project in the second half of the year.

Composite photograph at LOHAS Park

PROPERTY AND OTHER BUSINESSES

HIGHLIGHTS

- Awarded the Pak Shing Kok Ventilation Building and Tung Chung Traction Substation Property Development projects
- Booked property development profits mainly from LOHAS Park Package 10, THE SOUTHSIDE Package 1 and Package 2 and sales of inventory units

	Six months ended 30 June		
HK$ million	**2022**	2021	Inc./(Dec.) %
Hong Kong Property Rental and Property Management Businesses			
Revenue from Property Rental	**2,188**	2,392	(8.5)
Revenue from Property Management	**119**	119	–
Total Revenue	**2,307**	2,511	(8.1)
EBITDA	**1,873**	2,078	(9.9)
EBIT	**1,865**	2,067	(9.8)
EBITDA Margin (in %)	**81.2%**	82.8%	(1.6)% pts.
EBIT Margin (in %)	**80.8%**	82.3%	(1.5)% pts.

Property Rental and Management

Property rental revenue decreased by 8.5% to HK$2,188 million in the first half of 2022, which was the result of rental concessions provided to tenants as well as negative rental reversions. Rental concessions are considered on a case-by-case basis and they are amortised to the profit-and-loss account over the remaining lease terms of respective tenants.

MTR shopping malls in Hong Kong recorded a rental reversion rate of -6.8%. Our shopping malls in Hong Kong and the Company's 18 floors in Two International Finance Centre were 99% and 92% let on average, respectively.

To drive mall traffic and stimulate spending during a challenging period, MTR launched a series of promotional campaigns such as Chinese New Year Markets, "Fun Family Farming" events and an Organic Farmers' Market. Over the first half of the year, we also launched tactical MTR Mobile marketing promotions to targeted users based on their shopping behaviours.

As at 30 June 2022, our attributable share of investment properties in Hong Kong was 256,890 square metres of lettable floor area of retail properties, 39,457 square metres of lettable floor area of office space and 19,634 square metres of property for other use.

As at 30 June 2022, the lease expiry profile of our shopping malls by area occupied was such that approximately 16% will expire in 2022, 32% in 2023, 26% in 2024, and 26% in 2025 and beyond.

In terms of trade mix, food and beverage accounted for approximately 29% of the leased area of our shopping malls, followed by services at 23%, fashion, beauty and accessories at 21%, leisure and entertainment at 18%, and department stores and supermarkets at 9%.

Property management revenue in Hong Kong was HK$119 million over the first six months of the year. As at 30 June 2022, MTR managed 115,557 residential units and over 820,000 square metres of commercial and office space.

Property Development and Tendering

Hong Kong property development profit (post-tax) for the first half of 2022 was HK$7,747 million, which was mainly derived from proceeds from LOHAS Park Package 10, THE SOUTHSIDE Package 1 and Package 2 and sales of inventory units from various development projects.

The first half of the year under review saw pre-sale activities continue for several important property development projects. As at 30 June 2022, SOUTHLAND (THE SOUTHSIDE Package 1) and La Marina (THE SOUTHSIDE Package 2) were 78% and 83% sold, respectively, while LP10 (LOHAS Park Package 10) was 89% sold. All units of SEA TO SKY (LOHAS Park Package 8) as well as MARINI, GRAND MARINI and OCEAN MARINI (LOHAS Park Package 9) have been sold. Pre-sales for Villa Garda I (LOHAS Park Package 11) were launched on 30 June 2022. Applications for pre-sale consent for THE SOUTHSIDE Package 4, Ho Man Tin Station Package 2 and LOHAS Park Package 12 are in progress.

For West Rail property development projects, where we act as agent for relevant subsidiaries of the Kowloon-Canton Railway Corporation ("KCRC"), sales activities continued for the Cullinan West Development (Nam Cheong Station). Pre-sales for The YOHO Hub Phase 1 (Yuen Long Station) were launched in December 2021, with 43% of units sold as at 30 June 2022. Pre-sale consent for The YOHO Hub Phase 2 has been obtained. Pre-sales for GRAND MAYFAIR I and II (Kam Sheung Road Station Package 1) were launched in April and May 2022, respectively, with 99% and 82% of units sold as at 30 June 2022.

In April 2022, we awarded the Pak Shing Kok Ventilation Building Property Development project to a consortium formed by New World Development Company Limited and China Merchants Land Limited. In July 2022, the Tung Chung Traction Substation Property Development project was awarded to a subsidiary of Chinachem Group.

Regarding the issue of concrete quality at THE PAVILIA FARM III (Tai Wai Station Package 3), we continue to work with New World Development Company Limited ("the developer") to ensure that the project meets its design and statutory requirements and that the developer addresses the interests of affected purchasers.

Property Development Packages Completed during the period and Awarded

Location	Developer	Type	Gross floor area (sq. m.)	Tender award date	Expected completion date
Ho Man Tin Station					
Package 1	Great Eagle Group	Residential	69,000	December 2016	By phases in 2024
Package 2	Chinachem Group	Residential	59,400	October 2018	By phases in 2024
LOHAS Park Station					
LP10	Nan Fung Group Holdings Limited	Residential	75,400	March 2016	Completed in 2022
Villa Garda	Sino Land Company Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	88,858	April 2019	2025
Package 12	Wheelock and Company Limited	Residential	89,290	February 2020	2026
Package 13	Sino Land Company Limited, Kerry Properties Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	143,694	October 2020	2026
Tai Wai Station					
THE PAVILIA FARM	New World Development Company Limited	Residential Retail	190,480 60,620*	October 2014	Phase I and II will be completed in the second half of 2022 Phase III to be confirmed
Tin Wing Stop					
Tin Wing	Sun Hung Kai Properties Limited	Residential Retail	91,051 205	February 2015	2024
Wong Chuk Hang Station (THE SOUTHSIDE)					
SOUTHLAND	Road King Infrastructure Limited and Ping An Real Estate Company Limited	Residential	53,600	February 2017	Completed in 2022
La Marina	Kerry Properties Limited and Sino Land Company Limited	Residential	45,800	December 2017	2022
Package 3	CK Asset Holdings Limited	Residential Retail	92,900 47,000	August 2018	By phases from 2023 to 2024
Package 4	Kerry Properties Limited, Swire Properties Limited and Sino Land Company Limited	Residential	59,300	October 2019	2025
Package 5	New World Development Company Limited, Empire Development Hong Kong (BVI) Limited, CSI Properties Limited and Lai Sun Development Company Limited	Residential	59,100	January 2021	2026
Package 6	Wheelock Properties Limited	Residential	46,800	April 2021	2027
Yau Tong Ventilation Building					
Yau Tong Ventilation Building	Sino Land Company Limited and CSI Properties Limited	Residential	30,225	May 2018	2025
Pak Shing Kok Ventilation Building					
Pak Shing Kok Ventilation Building	New World Development Company Limited and China Merchants Land Limited	Residential	27,006	April 2022	2031
Tung Chung Traction Substation					
Tung Chung Traction Substation	Chinachem Group	Residential	87,288	July 2022	2031
Kam Sheung Road Station#					
GRAND MAYFAIR	Sino Land Company Limited, China Overseas Land & Investment Limited and K. Wah International Holdings Limited	Residential	114,896	May 2017	By phases from 2024 to 2025
Yuen Long Station#					
The YOHO Hub	Sun Hung Kai Properties Limited	Residential Retail	126,455 11,535^	August 2015	By phases from 2022 to 2023

\# *as a development agent for the relevant subsidiaries of KCRC*
* *excluding a bicycle park with cycle track*
^ *including a 24-hour pedestrian walkway and a covered landscape plaza*

Other Businesses

Revenue from Ngong Ping 360 decreased by 48.8% to HK$22 million over the first six months of 2022 as visitation dropped by 59.5% to approximately 80,000. This was mainly due to the suspension of the cable car service from 7 January to 20 April 2022 following the outbreak of the fifth wave of COVID-19. To keep the attraction top of mind among visitors, we launched virtual tours and various other promotional activities during the period.

Our share of profit from Octopus Holdings Limited ("OHL") increased by 98.0% to HK$198 million in the first half of the year. This was mainly due to a higher retail transaction volume resulting from improved customer sentiment, as well as higher profit sharing following the Company's acquisition of additional shares of OHL in early 2022. As at 30 June 2022, more than 83,000 service providers in Hong Kong accepted Octopus payments. Total cards and other stored-value Octopus products in circulation were 23.9 million, while average daily transaction volumes and value were 12.6 million and HK$320.0 million, respectively. The Company now holds approximately 64% of the shares of OHL after acquiring approximately 6.6% of the shares from New World First Bus and Citybus on 24 January 2022.

GROWING OUR HONG KONG BUSINESSES

HIGHLIGHTS

- Kwu Tung Station scheme gazetted in April 2022 and Tuen Mun South Extension scheme authorised in June 2022
- First major civil contract under Railway Development Strategy 2014 ("RDS 2014") put out to tender in May 2022
- Progressed The Wai and THE SOUTHSIDE shopping malls for opening in 2023

The period under review saw the completion of a major infrastructure project for Hong Kong, the Shatin to Central Link. We also made solid progress on several other projects that promise to deliver quality TOD for residents, connecting communities with faster and more convenient rail services while providing much-needed residential and retail options across the city.

Shatin to Central Link

The Hung Hom to Admiralty Section of the Shatin to Central Link opened in May 2022, marking commencement of service for the East Rail Line Cross-Harbour Extension and the completion of a highly anticipated railway project that connects major urban centres across the territory. The launch also featured the opening of the new Exhibition Centre Station and the expanded Admiralty and Hung Hom stations. With the East Rail Line Cross-Harbour Extension, passengers from the Northeast New Territories and Central Kowloon can now travel directly to Hong Kong Island without having to interchange, thus significantly reducing journey times. The extended East Rail Line includes 16 stations along its 46-km route, connecting Hung Hom Station with the new terminus at Admiralty Station via the new Exhibition Centre Station. The East Rail Line, now Hong Kong's fourth cross-harbour railway line, also offers interchange connections to five existing railway lines for even greater convenience.

Other New Railway Projects

MTR is playing a pivotal role in Government's RDS 2014, which guides Hong Kong's future railway network expansion. Following the gazetting of the Tung Chung Line Extension in December 2021, the Company appointed the preliminary design consultant for the Airport Railway Extended Overrun Tunnel ("ARO") in March 2022 and invited tenders for the first of the major civil contracts – the tunnel and station west of the existing Tung Chung Station – in May 2022. The ARO will facilitate an enhanced turnaround for Tung Chung Line and Airport Express trains. The scheme for the Tuen Mun South Extension was gazetted under the Railways Ordinance in January 2022 and authorised under the Railways Ordinance in June 2022. For the Northern Link project, the scheme for Kwu Tung Station, a railway station between Lok Ma Chau and Sheung Shui stations on the East Rail Line, was gazetted in April 2022. The design of the Northern Link main line, which will connect the Tuen Ma Line and East Rail Line via the new Kwu Tung Station and three intermediate stations, is progressing. Detailed planning and design works continue for Hung Shui Kiu Station, which will be located between Tin Shui Wai and Siu Hong stations along the Tuen Ma Line. We are also working with Government on the South Island Line (West), East Kowloon Line and North Island Line.

It should be noted that the Company is still in various stages of discussion with Government and has yet to enter into project agreements for the Tung Chung Line Extension, Tuen Mun South Extension, Northern Link and Hung Shui Kiu Station projects. Government has announced its intention to proceed with MTR on these projects using the ownership approach. Different funding models, including the Rail plus Property model, may be deployed to ensure commercial returns on the Company's investments.

Meanwhile, preparations are underway for two important projects under Government's Northern Metropolis Development Strategy, a plan outlined by the Chief Executive in the 2021 Policy Address. For the Northern Link Spur Line, a technical proposal has been submitted to Government. Meanwhile, a consultant has been appointed to carry out a technical study for a new Science Park/Pak Shek Kok Station on the East Rail Line.

Expanding the Property Portfolio

Investment Properties

One of our new shopping malls, The Wai at Tai Wai Station, is targeted for opening in mid-2023, while THE SOUTHSIDE at Wong Chuk Hang Station is expected to open in the second half of 2023. Together, these new malls will add 107,620 square metres of GFA, representing approximately 30% of the attributable GFA of MTR's existing retail portfolio.

Residential Property Development

MTR's 15 on-going residential property projects should provide over 20,000 much-needed units to the local housing market.

Detailed design and advance works have commenced for the Oyster Bay Property Development (formerly known as the Siu Ho Wan Depot Topside Property Development); the land grant process is on-going. Subject to market conditions, in the coming 12 months or so, we anticipate tendering out the Tung Chung East Station Package 1 site (subject to entering into a project agreement with Government) and Oyster Bay Property Development Package 1 (i.e., Phase 1 Package 1) (subject to entering into a project agreement with Government for the planned Oyster Bay Station and signing the land grant). For the Tuen Mun South Extension, the rezoning proposal for a mixed-use development at Area 16 has been agreed by the Town Planning Board in June 2022 and is now going through the statutory Outline Zoning Plan gazette procedure.

Elsewhere, we continue to explore potential sites for development along our existing and future railway lines. These include Kwu Tung Station and the Northern Link, Hung Shui Kiu Station, and the new Science Park/Pak Shek Kok Station mentioned in the Chief Executive's 2021 Policy Address as well as other Northern Metropolis Development Strategy projects.

MAINLAND CHINA AND INTERNATIONAL BUSINESSES

HIGHLIGHTS

- The Elizabeth line's Central Operating Section commenced service on 24 May 2022
- Upptåget lines were added to Mälartåg train service
- Impairment provision made in respect of SZL4 service concession assets

Our Mainland China and International businesses form one of the three pillars of MTR's Corporate Strategy for future growth by enabling the Company to explore business opportunities outside its core market of Hong Kong. Over the first six months of 2022, MTR delivered world-class, environmentally friendly mass transit services to approximately 815 million passengers in Mainland China, Macao, Europe and Australia through its subsidiaries, associates and joint ventures. While the COVID-19 pandemic continued to impact patronage, its financial effect on each market varied depending on the business model.

	Mainland China and International Businesses								
	Mainland China and Macao Railway, Property Rental and Property Management Businesses*			International Railway Businesses			Total		
Six months ended 30 June HK$ million	**2022**	2021	Inc./(Dec.) %	**2022**	2021	Inc./(Dec.) %	**2022**	2021	Inc./(Dec.) %
Recurrent Businesses									
Subsidiaries									
Revenue	**818**	879	(6.9)	**12,332**	11,171	10.4	**13,150**	12,050	9.1
EBITDA	**121**	148	(18.2)	**802**	431	86.1	**923**	579	59.4
EBIT	**114**	142	(19.7)	**677**	303	123.4	**791**	445	77.8
EBIT (Net of Non-controlling Interests)	**114**	142	(19.7)	**481**	194	147.9	**595**	336	77.1
EBITDA Margin (in %)	**14.8%**	16.8%	(2.0)% pts.	**6.5%**	3.9%	2.6% pts.	**7.0%**	4.8%	2.2% pts.
EBIT Margin (in %)	**13.9%**	16.2%	(2.3)% pts.	**5.5%**	2.7%	2.8% pts.	**6.0%**	3.7%	2.3% pts.
Recurrent Business Profit	**94**	**154**	**(39.0)**	**270**	**104**	**159.6**	**364**	**258**	**41.1**
Associates and Joint Ventures									
Share of EBIT	**706**	824	(14.3)	**46**	33	39.4	**752**	857	(12.3)
Share of Profit	**257**	**399**	**(35.6)**	**35**	**31**	**12.9**	**292**	**430**	**(32.1)**
EBIT of Subsidiaries (Net of Non-controlling Interests) and Share of EBIT of Associates and Joint Ventures	**820**	966	(15.1)	**527**	227	132.2	**1,347**	1,193	12.9
(Loss)/Profit Attributable to Shareholders of the Company									
– Arising from Recurrent Businesses (before Business Development Expenses and Impairment Loss)							**656**	**688**	**(4.7)**
– Business Development Expenses							**(140)**	(122)	14.8
– Arising from Recurrent Businesses (after Business Development Expenses but before Impairment Loss)							**516**	**566**	**(8.8)**
– Impairment Loss on Shenzhen Metro Line 4							**(962)**	–	n/m
– Arising from Recurrent Businesses (after Business Development Expenses and Impairment Loss)							**(446)**	**566**	**n/m**
– Arising from Mainland China Property Development							**39**	29	34.5
– Arising from Underlying Businesses							**(407)**	**595**	**n/m**

n/m: not meaningful

* *Excluding the impairment loss of HK$962 million on Shenzhen Metro Line 4 in the Mainland China*

Excluding Mainland China property development, our railway, property rental and management subsidiaries (after business development expenses), together with our associates and joint ventures outside of Hong Kong, contributed a net after-tax profit of HK$516 million in the first half of 2022 on an attributable basis, compared with the net after-tax profit of HK$566 million recorded during the first six months of 2021, before the HK$962 million impairment provision made for SZL4.

In Mainland China and Macao, recurrent business profit from railway, property rental and property management subsidiaries decreased from HK$154 million to HK$94 million in the first six months in 2022. This was mainly due to the new wave of COVID-19 in the first half of 2022, which resulted in decreased patronage.

In our International businesses, recurrent business profit from our railway subsidiaries increased from HK$104 million to HK$270 million in the first half of 2022. This was mainly because of the contribution from the revenue reset of Metro Trains Melbourne and the Company's recognition of profit from Sydney Metro City & Southwest as construction progressed.

Our share of profits from our associates and joint ventures decreased from HK$430 million to HK$292 million during the first half of 2022. This was mainly due to the new wave of COVID-19 infections in Mainland China, which led to stringent anti-pandemic measures and reduced patronage.

Railway Businesses in Mainland China

Beijing

In Beijing, our associate operates Beijing Metro Line 4, the Daxing Line, Beijing Metro Line 14, the Northern and Middle sections of Beijing Metro Line 16 ("BJL16"), and the initial section of Beijing Metro Line 17. These lines have been performing with train service punctuality and delivery of 99.9% in the first half of 2022. COVID-19 continued to impact patronage during the reporting period. Construction continued for the remaining sections of BJL16, and the full line is expected to open by 2023.

Shenzhen

SZL4, including the SZL4 North Extension, is operated by our wholly owned subsidiary. The line maintained stable operations over the first half of the year with an on-time performance of 99.9%. Since the outbreak of COVID-19 in 2020, the daily patronage of SZL4 was materially impacted.

In July 2020, the Shenzhen Municipal Government announced that a fare adjustment framework for the Shenzhen Metro network would come into effect on 1 January 2021. The framework was expected to enable the establishment of a mechanism for fare setting and the implementation procedures for fare adjustments. Up to 30 June 2022, there has been no increase in SZL4's fare since we started operating the line in 2010 whilst the operating costs continue to rise. As we have been warning repeatedly for some time, if a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

As it is anticipated that the mechanism and procedures for fare adjustments will take longer time to implement and patronage will remain at a lower level for a period of time, an impairment test was performed for SZL4, which carried a book value of HK$4,589 million, and the corresponding recoverable amount was determined at HK$3,627 million as at 30 June 2022. As such, an impairment provision of HK$962 million was recognised for the SZL4 service concession assets in the consolidated profit and loss account for the six months ended 30 June 2022.

Elsewhere, construction of Shenzhen Metro Line 13 continued to progress with key contracts awarded.

Hangzhou

Our businesses in Hangzhou include Hangzhou Metro Line 1 ("HZL1"), the HZL1 Xiasha Extension and Airport Extension, and Hangzhou Metro Line 5 ("HZL5"). All lines achieved stable operations over the first six months of the year. HZL5's Baoshanqiao Station opened on 1 April 2022.

Property Business in Mainland China

As at 30 June 2022, 28 of the remaining 32 units at the Tiara, the residential development at SZL4 Depot Site Lot 1, had been sold. Foot traffic at TIA Mall in Shenzhen and Ginza Mall in Beijing continued to be impacted by the COVID-19 pandemic.

The shopping mall at Tianjin Beiyunhe Station is targeted for completion after 2024. Meanwhile, we continued to make good progress on the Hangzhou West Station TOD project in the first half of 2022.

Macao Railway Business

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line. MTR is also providing project management and technical support services for the Taipa Line Extension to Barra, Seac Pai Van Line and Hengqin Line.

Europe Railway Businesses

United Kingdom

The Central Operating Section of the Elizabeth line owned by Transport for London ("TfL") opened on 24 May 2022, one week following a ceremonial event attended by Queen Elizabeth II. Our wholly owned subsidiary was awarded the concession by TfL to operate the service starting from 2015 (initially under the "TfL Rail" brand name), and it also manages 28 of the line's 41 stations. During the period under review, the Elizabeth line achieved stable operations. The Company's financial interest is reasonably protected as this concession carries no fare revenue risk.

Our associate operates the South Western Railway franchise, one of the largest rail networks in the UK, and achieved stable operations over the first six months of the year. In 2021, we signed a National Rail Contract for a two-year term that will last till May 2023. Under this agreement, the UK Department for Transport retains all revenue risk and substantially all cost risk.

Sweden

MTR is the largest rail operator in Sweden by passenger volume. We operate four rail businesses in the country via wholly owned subsidiaries: Stockholm Metro (Stockholms tunnelbana), MTRX, the Stockholm commuter rail service (Stockholms pendeltåg) and Mälartåg regional traffic.

Stockholm Metro achieved stable operations over the first six months of the year. At MTRX, where the pandemic has significantly impacted ticket revenue, patronage gradually began to return following the lifting of all COVID-19 restrictions in February 2022. We continue to explore options on how best to move forward with this business. We took over operations for Mälartåg regional traffic from December 2021. With the conclusion of the legal challenge by competing bidders, the interim agreement has reverted to an eight-year agreement with the possibility of a one-year extension. We took over the Upptåget lines as part of Mälartåg regional traffic from 12 June 2022. Performance for Mälartåg regional traffic as well as Stockholm commuter rail was affected by the pandemic as well as other factors over the first six months of the year.

Australia Railway Businesses

The Melbourne metropolitan rail network achieved stable operations during the period under review despite anti-pandemic measures continuing to affect patronage.

The Sydney Metro North West Line also achieved stable operations. Meanwhile, we continued to make progress on the manufacturing, testing and commissioning of new trains for the Sydney Metro City & Southwest Project.

Growth Outside of Hong Kong

During the reporting period, the Company continued to seek opportunities to develop transport infrastructure, property and community development projects in Mainland China and overseas. Discussions on station retail and related businesses in Chengdu as well as opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") are on-going.

FINANCIAL REVIEW

In addition to the above brief report of the Group's results and operations, this section discusses and analyses such results in more detail.

Consolidated Profit and Loss

	Six months ended 30 June		Favourable/(Unfavorable) Change	
HK$ million	**2022**	2021	HK$ million	%
Total Revenue	**23,033**	**22,317**	**716**	**3.2**
Recurrent Business (Loss)/Profit[ζ]				
EBIT				
Hong Kong Transport Services				
– Hong Kong Transport Operations	**(2,775)**	(2,285)	(490)	(21.4)
– Hong Kong Station Commercial Businesses	**1,098**	1,145	(47)	(4.1)
Total Hong Kong Transport Services	**(1,677)**	(1,140)	(537)	(47.1)
Hong Kong Property Rental and Management Businesses	**1,865**	2,067	(202)	(9.8)
Mainland China and International Railway, Property Rental and Management Subsidiaries*	**791**	445	346	77.8
Other Businesses, Project Study and Business Development Expenses	**(317)**	(294)	(23)	(7.8)
Share of Profit of Associates and Joint Ventures	**490**	530	(40)	(7.5)
Total Recurrent EBIT (before Impairment Loss)	**1,152**	**1,608**	**(456)**	**(28.4)**
Impairment Loss on Shenzhen Metro Line 4	**(962)**	–	(962)	n/m
Total Recurrent EBIT (after Impairment Loss)	**190**	**1,608**	**(1,418)**	**(88.2)**
Interest and Finance Charges	**(501)**	(482)	(19)	(3.9)
Income Tax	**(171)**	(105)	(66)	(62.9)
Non-controlling Interests	**(196)**	(109)	(87)	(79.8)
Recurrent Business (Loss)/Profit	**(678)**	**912**	**(1,590)**	**n/m**
Property Development Profit (Post-tax)				
Hong Kong	**7,747**	3,052	4,695	153.8
Mainland China	**39**	29	10	34.5
Property Development Profit (Post-tax)	**7,786**	**3,081**	**4,705**	**152.7**
Underlying Business Profit[ε]	**7,108**	**3,993**	**3,115**	**78.0**
Loss from Fair Value Measurement of Investment Properties	**(2,376)**	(1,320)	(1,056)	(80.0)
Net Profit Attributable to Shareholders of the Company	**4,732**	**2,673**	**2,059**	**77.0**

ζ Recurrent business (loss)/profit represents (loss)/profit from the Group's Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, Mainland China and international railway, property rental and management businesses and other businesses (excluding fair value measurement on investment properties in Hong Kong and Mainland China).

** Excluding the impairment loss of HK$962 million in respect of Shenzhen Metro Line 4 in the Mainland China.*

ε Underlying business profit represents profit/(loss) from the Group's recurrent businesses and property development businesses.

n/m: not meaningful

Certain comparative figures have been reclassified to conform to current period's presentation.

Our recurrent business financial performance for the six months ended 30 Jun 2022 was adversely impacted by the outbreak of the fifth wave of COVID-19 in Hong Kong, as well as the impairment provision of HK$962 million made in respect of investment in Shenzhen Metro Line 4 in the Mainland China. On the other hand, our property development business recorded increased profit as three of our development projects happened to have profits booked in the same period.

Total Revenue

The Group's total revenue for the six months ended 30 June 2022 increased by 3.2% to HK$23,033 million when compared to the same period in 2021. The increase was mainly contributed by our Mainland China and international businesses including (i) higher revenue from our Melbourne transport operations and more project activities relating to Metro Tunnel Project and (ii) increase in design and delivery income from Sydney Metro City & Southwest project and construction income from Shenzhen Metro Line 13 project, but partly offset by weaker Hong Kong businesses revenue due to the fifth wave of COVID-19 which impacted Domestic fare revenue of our Hong Kong transport operations ("HKTO") and rental income of our Hong Kong property rental and management businesses ("HKPR&M"). Our patronage of HKTO in February and March 2022 experienced the lowest level since the outbreak of COVID-19.

Continuation of boundary closures of major railway passenger boundary crossings between Hong Kong and the Mainland China and various air travel restrictions during the period in review continued to have material adverse impacts on our Cross-boundary and Airport Express fare revenue, Duty Free Shops and other rental revenue when visitor arrivals remained at minimal levels.

Recurrent Business (Loss)/Profit

During the six months ended 30 June 2022, the reintroduction and further tightening of anti-pandemic measures during the fifth wave of the COVID-19 driven by the highly transmissible Omicron mutant strain have severely impacted the financial performance of our Hong Kong recurrent business, in particular a significant decrease in patronage. Outside of Hong Kong, though our Melbourne transport operations and Sydney Metro City & Southwest project improved in profit, our railway businesses in the Mainland China were significantly impacted by the outbreak of Omicron there.

Besides, the Group recognised an impairment provision of HK$962 million in respect of Shenzhen Metro Line 4 resulting from the no fare increase situation as explained in the past. As a result, the Group's recurrent business reported a loss of HK$678 million for the six months ended 30 June 2022, compared to a profit of HK$912 million in 2021. Excluding the HK$962 million impairment provision, our recurrent profit would have been HK$284 million, a decrease of HK$628 million (68.9%) as compared with the same period in 2021.

EBIT

HKTO: Significant EBIT loss of HK$2,775 million was recorded for the six months ended 30 June 2022 with the loss widened by HK$490 million compared to the same period in 2021. This was due to the decrease in our Domestic patronage and fare revenue when the fifth wave of COVID-19 struck Hong Kong in early 2022 resulting in (a) the further tightening of social distancing measures by the Government; (b) the arrangements of the Government and certain commercial organisations for their employees to work from home; and (c) the suspension of face-to-face school classes and the bringing forward of school summer holidays. This adverse impact on HKTO EBIT was mitigated by our collective effort in maintaining stringent cost control measures. Our Domestic patronage started to rebound since late April 2022 following the easing of social distancing measures, as well as the incremental patronage brought by the opening of East Rail Line Cross-Harbour Extension in May 2022.

HKTO continued to report a significant loss as Cross-boundary Service, High Speed Rail and Intercity patronage remained severely impacted by the on-going closures of boundary railway crossings between Hong Kong and the Mainland China since early 2020, and Airport Express patronage also experienced substantial reduction as various air travel restrictions continued.

Hong Kong station commercial businesses ("HKSC"): EBIT decreased slightly by HK$47 million (4.1%) to HK$1,098 million. HKSC has been significantly impacted by the pandemic since February 2020, when the revenue stream from Duty Free Shops was lost due to the closure of boundary crossing stations. The further decrease in EBIT when compared to the same period in 2021 was mainly due to the lower rental income from station kiosks along the Domestic lines, as a result of negative rental reversions experienced on renewals and new lets.

HKPR&M: EBIT decreased by HK$202 million (9.8%) to HK$1,865 million. The decrease in EBIT when compared to the same period in 2021 was mainly due to more rental concessions granted and amortised in 2022, and the negative rental reversions experienced on renewals and new lets in the backdrop of the fifth wave of COVID-19. A series of promotional campaigns was launched to drive mall traffic and stimulate spending during this challenging period.

Mainland China and international railway, property rental and management business subsidiaries: The COVID-19 continued to adversely impact our Mainland China and international business subsidiaries to varying degrees, depending on the impact of the pandemic in the different cities we operate and the revenue exposure under different business models in such cities. EBIT profit for the six months ended 30 June 2022 improved by HK$346 million (77.8%) to HK$791 million, mainly due to better performance of our Melbourne transport operation and Sydney Metro City & Southwest project.

Other businesses, project study and business development expenses: EBIT loss from these businesses was HK$317 million for the six months ended 30 June 2022, compared to the loss of HK$294 million for the same period in 2021. The incurred loss is mainly due to service suspension of Ngong Ping 360 during the fifth wave of COVID-19.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures decreased by HK$40 million (7.5%) to HK$490 million for the six months ended 30 June 2022. This was mainly due to the new wave of COVID-19 infections in Mainland China which adversely impacted our Hangzhou operations, partially mitigated by an increase in profit sharing from Octopus Holdings Limited ("OHL") resulting from higher retail transaction volume as a result of the increase in consumer sentiment, as well as our increased shareholding since early 2022.

Impairment Loss on Shenzhen Metro Line 4

As we have been warning repeatedly for some time, if a suitable fare increase and adjustment mechanism are not implemented in Shenzhen soon, the long-term financial viability of this line will be impacted. In this connection, an impairment provision of HK$962 million was made in the first half of 2022 for Shenzhen Metro Line 4 as it is anticipated that the mechanism and procedures for fare adjustments will take longer time to implement and patronage will remain at a lower level for a period of time.

Total Recurrent EBIT

Total recurrent EBIT before impairment loss decreased by HK$456 million (28.4%) to HK$1,152 million. Including the impairment loss on Shenzhen Metro Line 4 of HK$962 million, total recurrent EBIT decreased by HK$1,418 million (88.2%) to HK$190 million.

Income Tax

Income tax increased by HK$66 million (62.9%) to HK$171 million for the six months ended 30 June 2022. It was mainly due to the increase in proportion of profit arising in tax jurisdictions with relatively higher tax rates including Australia and the United Kingdom.

Since the Rail Merger in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of the amortisation of upfront payment and cut-over liabilities, and fixed annual payments and variable annual payments relating to the Rail Merger (collectively "the Sums"). The total tax amount in respect of the Sums for the years of tax assessment from 2007/2008 to 2021/2022 amounted to HK$4.4 billion. As disclosed in previous years, the Inland Revenue Department of Hong Kong ("IRD") issued notices of profits tax assessments/additional profits tax assessments for the years of assessment from 2009/2010 to 2017/2018 disallowing deduction of the Sums in the computation of the Company's assessable profits. Based on the strength of advice from the external legal counsels and tax advisor, the Company has lodged objections against these tax assessments (regarding the deductibility of the Sums) and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover of the additional tax demanded subject to the purchases of tax reserve certificates ("TRCs") amounting to HK$2.3 billion. The Company has purchased the required TRCs and the additional tax demanded has been held over by IRD. The purchases of TRCs do not prejudice the Company's tax position and the purchased TRCs were included in debtors and other receivables in the Group's consolidated statement of financial position.

On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing with the objections lodged by the Company and confirming profits tax assessment/additional profits tax assessments in respect of the Sums in dispute for the years of assessment from 2011/2012 to 2017/2018 (i.e. holding that the Sums are not deductible in the computation of the Company's assessable profits for those years of assessment). The Company re-affirmed the case with the external legal counsel who advised the Company previously and the tax advisor, and obtained further advice from another external legal counsel. Based on the advice from the external legal counsels and tax advisor, the directors of the Company believe that the Company has strong legal grounds and have determined to contest and appeal against the assessments for the years of assessment from 2011/2012 to 2017/2018. Accordingly, the Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022. No additional tax provision has been made as a result of the determination received in respect of the above notices of profits tax assessments/additional profits tax assessments and other relevant years of assessment. As of the date of this interim report, the date of hearing before the Board of Review is yet to be fixed.

Property Development Profit (Post-tax)

Property development profit (post-tax) increased from HK$3,081 million to HK$7,786 million for the six months ended 30 June 2022, which was mainly derived from the share of surplus proceeds and income of LP10 (LOHAS Park Package 10), SOUTHLAND (THE SOUTHSIDE Package 1) and La Marina (THE SOUTHSIDE Package 2), as well as sales of inventory units.

Loss from Fair Value Measurement of Investment Properties

The revaluation of the Group's investment properties in Hong Kong and Mainland China, which was performed by independent professional valuation firms, resulted in a revaluation loss of HK$2,389 million (or a revaluation loss after tax of HK$2,376 million), representing an approximate 2.8% drop against the value as at 31 December 2021. This loss was mainly explained by the continued negative rental reversions recorded for the six months ended 30 June 2022.

Net Profit Attributable to Shareholders of the Company

Taking into account the Group's recurrent businesses, property development businesses and fair value measurement of investment properties, the Group reported a net profit attributable to shareholders of the Company of HK$4,732 million for the six months ended 30 June 2022, compared to a net profit of HK$2,673 million for the same period in 2021.

Consolidated Financial Position

HK$ million	At 30 June 2022	At 31 December 2021	Inc./(Dec.) HK$ million	%
Net Assets	**177,928**	180,037	(2,109)	(1.2)
Total Assets	**292,294**	292,082	212	0.1
Total Liabilities	**114,366**	112,045	2,321	2.1
Gross Debt^	**39,288**	43,752	(4,464)	(10.2)
Net Debt-to-equity Ratio$^{\delta}$	**12.7%**	18.1%		(5.4)% pts.

^ *Gross debt represents bank overdrafts, loans and other obligations, and short-term loans.*

δ *Net debt-to-equity ratio represents net debt of HK$22,672 million (31 December 2021: HK$32,660 million), which comprises bank overdrafts, loans and other obligations, short-term loans, obligations under service concession and loans from holders of non-controlling interests net of cash, bank balances and deposits, and investment in bank medium-term notes in the consolidated statement of financial position, as a percentage of the total equity of HK$177,928 million (31 December 2021: HK$180,037 million).*

Net Assets

Our financial position remains strong. The Group's net assets decreased slightly by 1.2% to HK$177,928 million as at 30 June 2022. This was mainly due to the accrual for the 2021 final ordinary dividend for payment in July 2022, and partly mitigated by the net profit recognised for the six months ended 30 June 2022.

Total Assets

Total assets increased slightly by 0.1% to HK$292,294 million. This was mainly due to the cash receipts of our Hong Kong property development projects, partly offset by the loss from fair value measurement of investment properties.

Total Liabilities

Total liabilities increased slightly by 2.1% to HK$114,366 million. This was mainly due to the accrual for the 2021 final ordinary dividend, partly offset by the net repayment of loans.

Gross Debt and Cost of Borrowing

Gross debt of the Group (being bank overdrafts, loans and other obligations, and short-term loans) decreased by 10.2% to HK$39,288 million as at 30 June 2022. Weighted average borrowing cost of the Group's interest-bearing borrowings for the six months ended 30 June 2022 was at 2.2% p.a., unchanged from the same period in 2021.

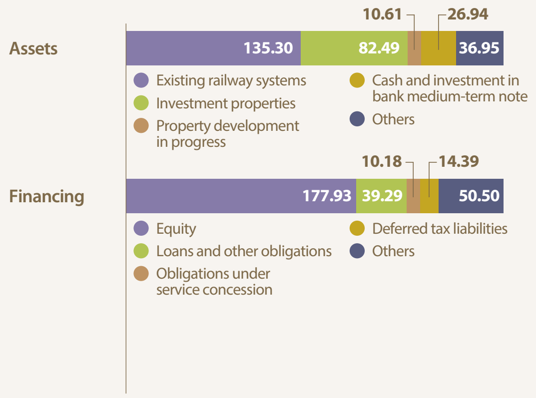
Net Debt-to-equity Ratio

Net debt-to-equity ratio decreased by 5.4% points to 12.7% as at 30 June 2022 from 18.1% as at 31 December 2021. This was mainly due to the cash receipts from Hong Kong property development business.

Simplified Consolidated Statement of Financial Position

As at 30 June 2022

(HK$ billion)



Consolidated Cash Flow

HK$ million	Six months ended 30 June 2022	2021
Net Cash Generated from Operating Activities and after Variable Annual Payment	**3,515**	3,977
Net Receipts from Property Development	**11,152**	12,961
Other Net Cash Outflow from Investing Activities	**(4,270)**	(4,007)
Net Repayment of Debts, Net of Lease Rental and Interest Payments	**(4,344)**	(4,033)
Increase in Cash, Bank Balances and Deposits#	**5,944**	**8,849**

\# *Excluding effect of exchange rate change*

Net Cash Generated from Operating Activities and after Variable Annual Payment

Net cash generated from operating activities after variable annual payments for Hong Kong railway and related operations was HK$3,515 million for the six months ended 30 June 2022 compared to net cash generated of HK$3,977 million for the same period in 2021. This was mainly due to decrease in operating profit as discussed above.

Net Receipts from Property Development

Net receipts from property development were HK$11,152 million, comprising mainly cash receipts from THE SOUTHSIDE and LOHAS Park packages.

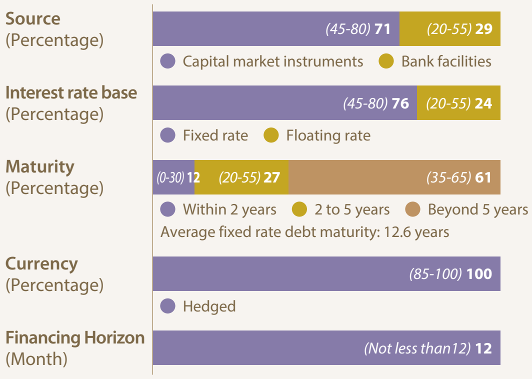
Other Net Cash Outflow from Investing Activities

Other net cash outflow from investing activities was HK$4,270 million, which mainly included capital expenditure of HK$4,053 million, comprising HK$2,928 million for investments in additional assets for existing Hong Kong railways and related operations, HK$641 million for Hong Kong railway extension projects, HK$288 million for Hong Kong investment properties and HK$196 million for Mainland China and overseas subsidiaries.

Preferred Financing Model and Debt Profile

The Preferred Financing Model exemplifies the Company's approach to debt management and helps ensure a prudent and well-balanced debt portfolio.

(Preferred Financing Model) vs. **Actual debt profile** as at 30 June 2022



Financing Activities

The inflation rate in the US, as measured by the Consumer Price Index, registered a four-decade high of 9.1% in June 2022. The US Federal Reserve also hastened the pace of interest rate hikes, bringing the Federal Funds Target Rate ("FFTR") to a range of 1.5% – 1.75% p.a. as at the end of June 2022. The Fed is expected to focus on combating inflation with more interest rate hikes in the second half. Market participants, however, were expecting that the FFTR would peak some time in 2023.

Interest rates for both the USD and HKD surged during the first half of 2022. The 3-month USD Libor increased to 2.29% p.a. from 0.21% p.a. at the beginning of the year. Likewise, the 3-month HKD Hibor increased to 1.75% p.a. from 0.26% p.a. The 10-year US Treasury yield also rose sharply to 3.01% p.a. from 1.51% p.a., and the 10-year HKD swap rate rose to 3.26% p.a. from 1.54% p.a.

In the first half of 2022, the Company arranged a CNH 750 million MTN note issuance on a private placement basis.

The Group's consolidated gross debt position at the end of June 2022 was HK$39,288 million, with a cash and deposit balance of more than HK$26 billion and undrawn committed facilities of more than HK$12 billion.

The weighted average cost of the Group's interest-bearing borrowings over the first six months was 2.2% p.a., unchanged from the same period in 2021. As at the end of June 2022, around 76% of the Group's borrowings were fixed-rate borrowings with an average interest rate of 2.6% p.a. and maturity of 12.6 years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In the second half of 2020, we unveiled a new Corporate Strategy to guide our future business endeavours and drive sustainable growth in accordance with robust ESG practices. Since then, we have worked to fine-tune our ESG efforts in three key areas: Greenhouse Gas ("GHG") Emissions Reduction, Social Inclusion, and Advancement and Opportunities. In February 2022, the MTR Board approved a set of 35 key performance indicators to gauge our performance across these areas. More than 10 key performance indicators are related to reducing GHG emissions; for example, the Company has committed to the establishment of science-based carbon reduction targets for the year 2030 for our railway and property businesses in Hong Kong with the aim of achieving carbon neutrality by 2050.

During the reporting period, we also remained very active in Social Inclusion as well as Advancement and Opportunities, organising activities that promote universal basic mobility, diversity and inclusion, and equal opportunities for our communities, employees and business partners. Highlights included a series of engagement events for non-profit organisations and community partners in the run-up to the opening of the East Rail Line Cross-Harbour Extension; sponsorship of the International Women's Day Virtual Lunch 2022 organised by The Women's Foundation; and contributions to charitable causes to help combat the effects of the fifth wave of COVID-19. Over the first six months of the year, we also continued to promote appreciation of the arts as well as our outreach efforts to youth and the elderly. To foster innovation, more than HK$300 million has been allocated for investing in start-ups in the next few years. On 21 June 2022, a Memorandum of Understanding was signed with Hong Kong Cyberport Management Company Limited to set up a two-year collaboration framework for joint investment in digital technology start-ups.

MTR places the highest priority on achieving world-class standards of corporate governance for the benefit of its shareholders and stakeholders. To support this goal, the Company continually seeks ways to improve the effectiveness, efficiency and transparency of its operations. In February 2022, for example, we implemented a new committee structure that will help optimise the Board's decision-making processes and promote the achievement of the governance goals set out in the Company's Corporate Strategy.

Safety

MTR is one of the world's leading providers of mass transit services. To ensure the well-being of passengers and staff, we regularly review our health and safety practices, invest significant resources into training our employees on safety fundamentals and work to promote awareness of railway safety among members of the public.

MTR continued to support Hong Kong's anti-pandemic efforts over the first half of the year, particularly as the city battled the fifth wave of COVID-19 infections. We worked to ensure train and station hygiene throughout our network. Among many other initiatives, we executed enhanced response measures including the early deployment of rapid antigen tests and the launch of a dedicated medical hotline with virtual consultations for infected staff.

Over the first six months of the year, the number of reportable events on our heavy rail and light rail networks decreased by 9% and 33%, respectively, compared to the same period in 2021.

Enterprise Risk Management

As a major operator of mass transit and developer and manager of properties, MTR must maintain strong enterprise risk management practices to protect the health and safety of the public and staff and ensure business continuity. In addition to preparedness and mitigation planning, we review the Company's risk profile, top risks and key emerging risks – including ESG-related risks – on an on-going basis.

During the reporting period, we continued to implement and fine-tune our "three lines of defence" framework to enhance governance and provide additional assurance on risk identification and mitigation. We also continue to monitor the COVID-19 situation closely to ensure we are taking timely and appropriate action to help contain the spread of the virus.

HUMAN RESOURCES

As at 30 June 2022, MTR and its subsidiaries employed 16,848 people in Hong Kong and 15,229 people outside of Hong Kong. Our associates and joint ventures employed an additional 19,961 people worldwide. The voluntary staff turnover rate in Hong Kong was 6.6% during the first half of the year.

During the pandemic, we have made protecting jobs our top priority while continuing to adopt prudent resourcing approach that meets our operational needs and achieves cost-effectiveness. As always, MTR remains committed to motivating and developing staff as well as ensuring their well-being. We provide competitive pay and benefits, short- and long-term incentive schemes, a broad range of career development opportunities, and performance-based recognitions and rewards. The Company also endeavours to provide equal opportunities and foster a progressive, family-friendly work environment.

We strive to provide on-going learning and development opportunities for staff that are in line with our business growth and succession planning needs. Over the first six months of the year, we provided an average of 2.4 training days per staff in Hong Kong.

Employee engagement is another key focus area. In December 2021, we conducted an Employee Engagement Survey to collect valuable feedback from our staff and achieved an encouraging response rate of 79%. Results, analyses and insights were communicated to management and staff in February and March 2022, and follow-up actions to address staff concerns are being implemented at the Corporate and Business Unit/Function levels from July 2022 onwards to make MTR an even better place to work.

MTR ACADEMY

The MTR Academy was established to develop railway talent to support the future growth of the industry as well as promote our expertise and brand to markets outside Hong Kong. Since its launch, more than 250 professionals have graduated from the Academy and advanced to further studies or job placements. The Academy currently offers three part-time accredited programmes, two of which are also available full-time.

To further its efforts in research and thought leadership, the MTR Academy has collaborated with the Company and the Hong Kong University of Science and Technology to establish a joint research lab focusing on smart community and smart mobility. The Academy has also entered into a Memorandum of Understanding with the Company and The Hong Kong Polytechnic University to explore railway technology applications and solutions for intelligent maintenance.

OUTLOOK

The opening of the East Rail Line Cross-Harbour Extension concludes a major phase of rail network development in Hong Kong. This achievement also sets the stage for the next phase of planned new infrastructure projects – including those under RDS 2014 as well as Government's comprehensive Northern Metropolis Development Strategy – to connect communities across Hong Kong and link the city more closely with its GBA counterparts. We remain committed to providing safe, reliable, accessible and environmentally friendly transportation services for the public, and we will continue to contribute our services and expertise to Hong Kong's future growth.

While the fifth wave of COVID-19 infections affected domestic patronage and revenue over the first half of the year, the opening of the extension has helped attract more local passengers, many of whom are enjoying shorter travelling times than before. However, on-going boundary closures and anti-pandemic arrangements continue to impact our fare revenue, and it is difficult to predict when such measures will be eased. Meanwhile, volatile global economic conditions are casting uncertainty over what kind of operating environment we can expect in the second half of the year. Inflation is becoming a concern globally, although its impact on our business performance is partially mitigated by the consumer price and wage index components of the FAM formula. To protect our business and the interests of our shareholders, we will continue exercising prudent cost control while seeking ways to streamline and optimise our operations for maximal efficiency.

Station commercial and property rental revenues have been affected by negative rental reversions and rental concessions since the early days of the pandemic, a situation that is unlikely to change over the coming six months. A rebound in advertising revenue will be dependent on economic recovery and improvements in consumer sentiment and spending. Meanwhile, our Duty Free business will only begin to recover once boundaries with Mainland China are reopened.

On property development, subject to market conditions, in the coming 12 months or so, we anticipate tendering out the Tung Chung East Station Package 1 site and Oyster Bay Property Development Package 1 (i.e., Phase 1 Package 1) (both subject to entering into a project agreement with Government and/or signing the land grant). Meanwhile, applications for pre-sale consent for THE SOUTHSIDE Package 4, Ho Man Tin Station Package 2 and LOHAS Park Package 12 are in progress. Subject to construction progress, we may make an initial booking in respect of the Tai Wai project predominantly on the gain from fair value measurement of our sharing-in-kind shopping mall (i.e., The Wai) in the second half of 2022, after accounting for the entire contribution by the Company to this project.

Working under Government's RDS 2014 development framework and Northern Metropolis Development Strategy, we will continue to progress various projects under the framework for expanding Hong Kong's railway network. On the back of our strong track record in designing, constructing and operating world-class railway networks, we will continue to work hard to expand our global portfolio. We also remain fully committed to our ESG goals, which will help us ensure healthy, sustainable growth for the benefit of MTR and its shareholders and stakeholders around the world.

I would like to take this opportunity to thank Mr Roger Bayliss, who retired from his position as Capital Works Director effective 31 July 2022, for his contributions to the Company and its success. I would also like to welcome Mr Carl Devlin, who was appointed Capital Works Director effective 1 August 2022. To all my other colleagues at MTR, I look forward to working with you over the second half of the year as we continue building an innovative, inclusive and environmentally conscious company to serve customers and communities both now and in the future, to keep cities moving, and to keep Hong Kong moving.

Dr Jacob Kam Chak-pui
Chief Executive Officer
Hong Kong, 11 August 2022