

CHAIRMAN'S LETTER



Dear Shareholders and other Stakeholders,

By the very nature of its business, MTR Corporation Limited has been an integral part of Hong Kong over the past four decades. The Company provides world-class mass transit services that people rely on to commute to work, go to school, and visit family, friends and places. The Company's residential and retail properties have blossomed into vibrant hubs that bring communities closer together, and its railway infrastructure projects serve well in connecting different parts of Hong Kong and linking the city to its neighbours in the Greater Bay Area and Mainland China. Today, MTR is more than just a public transport company; it represents many intricately woven threads in the fabric of our society.

MTR and Hong Kong have endured difficult times together over the last few years. But in the post-COVID era, it feels like we have finally turned the corner and are picking up the pace in reshaping a more promising future. At the time of writing, the city is enjoying a gradual economic recovery and improved consumer sentiment on the back of unfettered travel, normalised business operations and renewed commercial links. At MTR, we welcomed the return of our Cross-boundary, High Speed Rail and related businesses. Patronage is up across the board, and we are also progressing various capital works

and property development projects that will benefit our stakeholders and shareholders while creating sturdy new frameworks for future economic development.

MTR's mission is to Keep Cities Moving with environmentally friendly rail transit services that are safe, reliable, affordable and accessible. I am proud of the work we have done in recent years in maintaining world-class service delivery despite all the challenges Hong Kong and other major cities around the world have faced. Of course, we are not out of the woods yet. Geopolitical issues and the threat of global economic recession could result in supply chain pressures; meanwhile, inflation remains high and interest rates are on the rise. Still, we stand ready to serve our millions of daily passengers in Hong Kong as well as Mainland China, Macao, Europe and Australia with the same level of excellence they have come to expect.

BUSINESS PERFORMANCE AND GROWTH

In March 2023, we announced the outcome of the Fare Adjustment Mechanism review that was jointly conducted with Government. We believe the resulting

agreement provides a healthy balance between meeting the public's need for affordable fares and ensuring a level of financial sustainability for the Company that allows it to continue maintaining, upgrading and renewing its railway assets for optimal safety and reliability.

Over the first six months of 2023, and together with the contributions from new lines, our Domestic Service in Hong Kong saw a gradual recovery in patronage, reaching more than 90% of the pre-pandemic level. To elevate our railway asset management to an even higher standard, more than HK\$65 billion will be invested in railway asset maintenance and renewal over the next five years.

In May, we held the ground-breaking ceremony for the Tung Chung Line Extension. This is the first project under Railway Development Strategy 2014 where we have entered into a Project Agreement with Government and commenced construction. The Company supports Government's strategy of making railways the backbone of Hong Kong public transport and always stands ready to "Go Beyond Boundaries" to help facilitate the city's long-term sustainable development, expanding and enhancing the local railway network to drive economic growth, create employment opportunities and build thriving communities around rail stations.

The first half of 2023 was also a successful period for our property business. In July, we held the soft opening of The Wai, our new shopping mall in Tai Wai which, together with THE SOUTHSIDE mall in Wong Chuk Hang – a property we expect to open in phases starting from the fourth quarter of the year – will add roughly 30% to the attributable GFA of MTR's existing retail portfolio. We also continued to progress the construction of 14 residential property developments, which together will provide about 16,000 units to the Hong Kong's housing market.

Our Mainland China and international businesses collectively represent one of the three main growth pillars under our Corporate Strategy, and we are always on the lookout for good opportunities to export our brand and know-how and contribute to the development of railway networks and communities outside our home market of Hong Kong. During the period, we were pleased to have our concessions for the metropolitan rail services in Melbourne, Australia, and the South Western Railway in the UK extended.

Our Corporate Strategy also emphasises leveraging innovation and technology to enhance our railway assets, improve customer service and deliver business performance. In June 2023, MTR was honoured to be a joint winner of a prestigious UITP (International Association of Public Transport) Award in the "Technological Innovation" category for its "Go Smart Go Beyond" campaign to design smart, sustainable and inclusive passenger journeys. We also received Special Recognition for the design of the Admiralty Station Extension of the East Rail Line cross-harbour extension project. These awards were presented in Barcelona during the UITP Global Public Transport Summit, the world's foremost gathering of public transport authorities, operators and industry suppliers. As a global leader in railway transit, MTR constantly seeks to identify and incorporate technological innovations that can improve the Company and its operations, and recognitions such as these validate our efforts to "Go Smart Go Beyond" for the benefit of our stakeholders and shareholders.

FINANCIAL PERFORMANCE

Rising domestic patronage and the phased reopening of rail links with Mainland China following the lifting of anti-pandemic travel restrictions led to an overall increase in fare revenue in the first half of 2023. As a result, profit attributable to equity shareholders from recurrent businesses increased to HK\$2,420 million. Together with property development profit of HK\$732 million, profit arising from underlying businesses was HK\$3,152 million, 55.7% lower than the first half of last year. Including the gain arising from fair value measurement of investment properties of HK\$1,026 million, net profit attributable to shareholders of the Company decreased by 11.7% year on year to HK\$4,178 million, representing earnings per share of HK\$0.67. Your Board has declared an interim dividend of HK\$0.42 per share, same as the first six months of 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Millions of people in Hong Kong, Mainland China, Australia and Europe interact with MTR each day. As one of the world's largest operators of low-carbon mass transit, our organisation must lead by example

to practise and promote environmental sustainability, accessibility and inclusivity while contributing to the well-being of the diverse geographic areas we serve. This year, we expanded the pursuit of our three primary environmental and social objectives – Greenhouse Gas (“GHG”) Emissions Reduction, Social Inclusion, and Advancement & Opportunities – by setting 44 key performance indicators across 10 focus areas. More details about our environmental and social initiatives and performance can be found in our annual Sustainability Report. During the period, we also continued to strive for the highest standards of corporate governance to ensure that our business activities are conducted ethically and transparently for the benefit of shareholders and stakeholders.

Reducing Greenhouse Gas Emissions

We recently carried out an in-depth study on carbon reduction to determine carbon reduction targets for 2030 for our Hong Kong railway and property businesses in support of our longer-term goal to achieve carbon neutrality by 2050. In June 2023, we announced that these targets have been approved by the Science Based Targets initiative (“SBTi”), the international agency that defines and promotes best practices in setting science-based targets for combatting climate change. Under the SBTi-approved reduction targets, scope 1, 2 and 3 well-to-wheel (i.e., both upstream and downstream emissions from the use of electricity) GHG emissions from MTR’s rail transport activities are to be reduced by 46.2% per passenger kilometre while scope 1 and 2 GHG emissions from the Company’s investment properties are to be reduced by 58.6% per square metre of floor area by 2030, using 2019 as the base year for comparison. MTR has also pledged to reduce its absolute scope 3 GHG emissions – those that are not directly controlled by the Company, but which are a consequence of its activities – by 13.5% within the same timeframe. With this decarbonisation roadmap now in place, we plan to expand our green initiatives and GHG reduction efforts in order to meet these ambitious but attainable targets.

Asset renewal is an important part of MTR’s commitment to provide quality passenger journeys. For trains that have been decommissioned during this process, we seek either to dispose of them in an environmentally friendly manner, or cooperate with partners to preserve and revitalise carriages and components for other uses under the “Legacy Train Revitalisation Programme”. Since the launch

of this programme in 2021, MTR has worked with over 20 NGOs, social partners and Government departments to repurpose more than 400 decommissioned train parts.

In our focus area of Low-carbon Design, we attained BEAM Plus Provisional Gold accreditation for the Tung Chung East and Tung Chung West stations of the Tung Chung Line Extension project. In the first half of this year, we also arranged the equivalent of approximately HK\$930 million in green finance under our Sustainable Finance Framework for projects designed to conserve energy, protect the environment, and enhance and expand our low-carbon railway services.

Promoting Social Inclusion

One of MTR’s most important objectives is to ensure that we look after the transport and accessibility needs of everyone, including Hong Kong’s rapidly growing senior population. In the first half of 2023, we promoted Universal Basic Mobility through our “MTR • Care” mobile app, which has a clear, user-friendly interface to assist elderly customers and those with special needs. A simplified version of Trip Planner and an In-Station Navigation function for Exhibition Centre Station for the visually impaired help users make their journeys with ease and confidence. To help locate missing persons with dementia, we have also launched the “Caring for Dementia” Programme, which includes initiatives carried out in collaboration with the Jockey Club Centre for Positive Ageing and the Police.

In our focus area of Diversity & Inclusion, we launched our 2023 Gender Equity Network on International Women’s Day in March. The network was established as a safe space for discussions on gender issues and to promote equal opportunities in the workplace. The event included a panel discussion with industry practitioners and Artificial Intelligence on best practices for achieving gender equity in the workplace. In June, the Company also co-hosted a cross-company networking event to celebrate International Women in Engineering Day and explore the impact of unconscious biases in the workplace.

During the period under review, the Company once again collaborated with non-profit organisations and social enterprises to co-create impactful initiatives. In June, the Company partnered with the True Colors Symphony and The Zubin Foundation to host the “Multicultural Green Music Show” in Maritime Square. The Company also

rented out a station shop space to The Zubin Foundation at a nominal rate to help them support ethnically diverse groups of women and children.

MTR colleagues continued to demonstrate the Company's spirit of social service through the "More Time Reaching Community" Scheme. Over the first half of 2023, a headcount of 2,299 participating volunteers got involved in 110 volunteering projects.

The Company also continued to promote arts appreciation through its "Art in MTR" initiative. Using our railway network to bring art to the community, we partnered with AllRightsReserved to share the joy of Dutch artist Florentijn Hofman's Gigantic Rubber Duck, transforming Admiralty Station into a "Double Ducks-Themed Station" and decorating 23 other stations in a similar fashion. We also relaunched the "Living Art Stage" at Hong Kong Station, which is once again hosting arts and cultural performances to enliven passengers' journeys every Friday evening.

Fostering Advancement & Opportunities

In a highly competitive job market, we strive to equip our people with the resources and skills they need to achieve work-life balance and further their career development. This year, Human Resources Online recognised our efforts to foster a culture of continuous learning and develop staff with four Employee Experience Awards. These accolades honour companies that take the lead in advancing the workplaces of the future by demonstrating adaptability, innovation and creativity in staff development.

We are also highly focused on promoting future skills and innovation among our colleagues to further their professional growth and support the development of the Company's New Growth Engine pillar. In March, we collaborated with Hong Kong Science & Technology Parks to host a three-day innovation programme called "InnoTechX 2023", the first Company-wide innovation-focused event. More than 1,100 local and overseas participants joined the event, which featured demonstrations of innovation solutions by nearly 30 start-ups and workshops. MTR Academy also launched the MTR Research Funding Scheme to contribute towards the holistic development of rail transport in Hong Kong and across the Greater Bay Area.

Governance

Strong corporate governance is the foundation upon which shareholder and stakeholder trust is built. We strive to achieve the highest governance standards, and we regularly review our practices to ensure that they meet or exceed international benchmarks. I am particularly proud to note that in May 2023, the Company achieved its gender diversity target of having 25% female membership on the Board, well ahead of the target date of 2025.

ACKNOWLEDGEMENTS AND APPRECIATION

I would like to take this opportunity to thank Dr Pamela Chan Wong Shui and Mr Johannes Zhou Yuan, who retired from the Board as Independent Non-executive Directors ("INEDs") effective 24 May 2023, for their contributions to the Company during their tenures. I would also like to welcome Ms Sandy Wong Hang-yee and Professor Anna Wong Wai-kwan, who joined the Board as INEDs on 24 May 2023. In addition, as announced by Government on 7 July 2023, Ms Angela Lee Chung-yan will take up the post of the Commissioner for Transport with effect from 28 August 2023, and by virtue of holding such post, will become a Non-executive Director of the Company ("NED"). Miss Rosanna Law Shuk-pui will cease to hold the post of the Commissioner of Transport on 15 August 2023 and, accordingly, will cease to be a NED. I would like to welcome Ms Lee to join the Board, and thank Miss Law for her valuable contributions to the Board and the Company during her tenure.

MTR Corporation will celebrate its 45th anniversary next year. I have every confidence that with the support of my committed and talented colleagues and the goodwill of the people of Hong Kong, we will be able to continue capitalising on the opportunities in front of us and Keep Cities Moving towards a promising future.



Dr Rex Auyeung Pak-kuen
Chairman
Hong Kong, 10 August 2023