

BUSINESS REVIEW

HONG KONG BUSINESSES

MTR operates largely under a rail plus property business model that comprises Hong Kong rail and bus services plus retail and other commercial activities at stations – collectively referred to as “Hong Kong Transport Services” – as well as the development, rental and management of the Company’s railway-linked properties. This business

model enables MTR to invest in the maintenance and continued advancement of its railway assets, promotes transit-oriented development (“TOD”) for the benefit of communities located along its railway lines, ensures the sustainable growth of the Company, and delivers shareholder value. This segment forms the core of MTR’s business activities.



HONG KONG TRANSPORT SERVICES TRANSPORT OPERATIONS

HIGHLIGHTS

- Fare Adjustment Mechanism (“FAM”) review concluded, resulting in retention of existing direct-drive FAM formula with certain new arrangements and ensuring Company’s financial sustainability
- More than HK\$65 billion to be invested in railway asset maintenance and renewal over the next five years to create smart railways
- Maintained world-class 99.9% train service delivery and passenger journeys on-time

HK\$ million	Six months ended 30 June		Inc./ (Dec.) %
	2023	2022	
Hong Kong Transport Operations			
Total Revenue	9,342	5,815	60.7
Operating Profit/(Loss) before Depreciation, Amortisation and Variable Annual Payment (“EBITDA”)	2,680	(116)	n/m
(Loss)/Profit before Interest, Finance Charges, Taxation and after Variable Annual Payment (“EBIT”)	(774)	(2,775)	72.1
EBITDA Margin (in %)	28.7%	(2.0)%	n/m
EBIT Margin (in %)	(8.3)%	(47.7)%	39.4% pts.

n/m: not meaningful

Revenue from Hong Kong transport operations over the first six months of 2023 increased by 60.7% to HK\$9,342 million compared to the HK\$5,815 million recorded over the same period last year, leading to a 72.1% decrease in loss before interest, finance charges, taxation and after the variable annual payment to

HK\$774 million versus the first half of 2022. These improved results were primarily due to recovery from the pandemic, as Domestic Service enjoyed growth in patronage and the Cross-boundary Service and High Speed Rail both resumed operations.

Patronage and Revenue

	Patronage In million		Revenue HK\$ million	
	Six months ended 30 June 2023	Inc./Dec.) %	Six months ended 30 June 2023	Inc./Dec.) %
Hong Kong Transport Operations				
Domestic Service	777.2	36.2	6,680	39.7
Cross-boundary Service	28.1	n/m	842	n/m
High Speed Rail ("HSR")	7.6	n/m	1,172	62.1
Airport Express	4.6	374.0	280	748.5
Light Rail and Bus	102.6	32.0	323	30.2
Intercity	–	n/m	–	n/m
	920.1	41.7	9,297	60.6
Others			45	66.7
Total			9,342	60.7

n/m: not meaningful

As the pandemic situation came under control and travel restrictions were lifted, patronage began to recover over the first half of the year, especially with the phased resumption of rail services to Mainland China. The High Speed Rail gradually began resuming service starting from January. Cross-boundary Service to Lok Ma Chau and Lo Wu resumed in January and February, respectively. Over the first six months of the year, total patronage for all rail and bus services was 920.1 million compared to the 649.4 million recorded over the same period in 2022, representing an increase of 41.7%. Average weekday patronage increased by 40.3% to 5.40 million.

Market Share

The Company's overall market share of the franchised public transport market in Hong Kong was 49.6% in the first five months of 2023 compared with 47.2% during the corresponding period in 2022. This was mainly due to additional patronage from the opening of the East Rail Line cross-harbour extension in May 2022, coupled with patronage recovery for Cross-boundary Service, HSR and Airport Express – in which we have a relatively higher market share than other franchised public transport operators – after the gradual lifting of anti-pandemic measures. Of this total, our share of cross-harbour traffic was 71.8% compared with 67.1% in the first five months of 2022.

With the phased re-opening of HSR and the Cross-boundary Service, our share of the cross-boundary transport business in the first five months of 2023 rebounded to 53.5% from the 0.0% that was recorded over the same period last year due to service closures. Our share

of traffic to and from the airport in the first five months of 2023 increased to 20.1% from 16.3%.

Fare Adjustment, Promotions and Concessions

In March, MTR and Government concluded the FAM review. Reviews are conducted every five years. Following the review, it was determined that the current direct-drive FAM formula will be retained for the upcoming five-year cycle (from 2023/2024 to 2027/2028) in order to provide a stable source of recurrent revenue for the maintenance, upgrading and renewal of railway assets. The existing "Affordability Cap" arrangement, by which the rate of any fare increase is capped at the change in the Median Monthly Household Income for the corresponding year, will also be kept in order to continue ensuring affordability. The "Productivity Factor" was enhanced to make reference to the Company's post-tax Hong Kong property development profit; as a result, the corresponding rate of the Productivity Factor will lower the fare adjustment rate by 0.6 to 0.8 percentage point. The Overall Fare Adjustment Rate for 2023/2024 is +2.3% after a special reduction of 1.2 percentage points as well as a special deferral of 1.65 percentage points and a voluntary deferral of 0.2 percentage point – both deferrals to 2024/2025 – to support the recovery of the economy after the pandemic. In addition, the service performance rebate has been enhanced with a new "Thank You Day" arrangement for passengers. Monthly Pass and City Saver tickets have also been extended to benefit medium- and long-distance travellers. From the fourth quarter of 2023, MTR will offer a HK\$0.5 interchange discount with Green Minibuses, up from HK\$0.3.

The Company also continues to offer on-going fare concessions for the benefit of all passengers, including commuters, the elderly, children, eligible students and persons with disabilities.

Service Performance

MTR takes great pride in delivering world-class rail service and reliability. During the period under review, the Company achieved 99.9% passenger journeys on-time and train service delivery, exceeding its Operating Agreement commitment and its own even more demanding Customer Service Pledge.

Over the first six months of 2023, MTR ran more than 870,000 trips on its Heavy Rail network and more than 460,000 trips on its Light Rail network with just five delays in total (four from Heavy Rail and one from Light Rail). Delays are defined as those lasting 31 minutes or more and attributable to factors within MTR's control. We closely review each incident with the objective of preventing recurrence.

MTR places the highest possible priority on providing safe, reliable and efficient railway services to passengers. The Expert Panel appointed following two incidents in late 2022 completed a comprehensive review of the Company's railway asset management and maintenance regime in June 2023. The Company is now implementing the recommendations from the review, which include investing more than HK\$65 billion in railway asset renewal and maintenance over the next five years and accelerating the application of innovation and technology to maintain railway assets at an even higher standard.

Enhancing the Customer Service Experience

As one of the world's leading rail transport providers, MTR is constantly seeking ways to improve its network, assets and services for a smarter and better customer experience. During the period under review, the Company made progress in a number of key areas by introducing new technologies, upgraded trains and equipment, and exciting innovations for better passenger comfort and convenience.

In March 2023, the Company launched a HK\$1.3 billion programme to upgrade its Automatic Fare Collection ("AFC") system by progressively replacing 2,400 entry/exit gates at MTR stations across Hong Kong. The new gates have a slimmer body that makes walkways wider, and they also feature software that supports more e-payment options for the convenience of passengers and tourists.

As part of this long-term asset renewal plan for the AFC system, the Company is also gradually expanding payment functions at Customer Service Centres in stations to include cash, Octopus, QR code e-wallets and credit cards for the purchase of products such as Monthly Pass Extra, City Saver tickets and MTR souvenirs.

As part of our programme to phase out existing trains and replace them with newer, more comfortable models, eight new SACEM Q-trains have been put into service along the Kwun Tong Line up to June 2023. We target to have 13 new Q-trains in service on the Kwun Tong Line by the end of this year. In total, MTR has ordered 93 new heavy rail eight-car trains and 40 new light rail vehicles ("LRVs") as part of its programme to retire existing trains and vehicles and replace them with new models. As at June 2023, the Company had received delivery of 40 new LRVs, with 38 put into passenger service.

The programme to replace our existing SACEM signalling system with a communication-based train control signalling system ("CBTC System") along the Tsuen Wan, Island, Kwun Tong and Tseung Kwan O lines also continued during the review period. After undergoing necessary testing and meeting the requirements of relevant Government departments, the new CBTC System is expected to commence service on the Tsuen Wan Line between 2025 and 2026, followed by the Island, Kwun Tong and Tseung Kwan O lines. Overall project completion is expected between 2028 and 2029.

This year, we embarked upon a new programme to replace 31 chillers with newer, more energy-efficient models to provide greater comfort for commuters in stations while reducing energy usage. The programme is targeted for completion in 2026.

Starting from May 2023, we began our programme to install automatic platform gates at 35 platforms in 13 stations along the section between Lo Wu/Lok Ma Chau and Mong Kok East on the East Rail Line. Approximately 1,600 pairs of automatic platform gates will be installed.

In April 2023, we extended the smart toilet management system, which provides passengers with digital display information on toilet cubicle availability and indoor air quality, to all toilets in Hong Kong Station. These innovative facilities can also be found in Central, Admiralty, Exhibition Centre and Tsim Sha Tsui stations, and they will be introduced at Diamond Hill and Yau Tong stations by the end of this year.

Operations Performance in the first half of 2023

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%	99.8%
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	99.9%
– East Rail Line ⁽¹⁾	N/A	N/A	N/A
– 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⁾	N/A	N/A	N/A
– 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%	99.7%
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	99.9%
– East Rail Line ⁽¹⁾	N/A	N/A	N/A
– 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	1,000,000	2,193,611
– East Rail Line and Tuen Ma Line	N/A	1,000,000	6,563,294
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	18,000	40,195
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%	99.8%
– Tuen Ma Line	98.0%	99.0%	99.8%
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%	99.8%
– 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%	99.9%
Temperature and ventilation			
– Trains, except Light Rail: to maintain a cool, pleasant and comfortable train environment generally at or below 26°C	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 27°C for platforms and 29°C for station concourses, except on very hot days	N/A	94.0%	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%	99.6%
– 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.
- ² The first two-year revenue operations of the Tuen Ma Line were completed on 26 June 2023. The actual performance result of the Tuen Ma Line will be published in the 2023 Annual Report.

Smart Mobility, Operations and Maintenance

As part of its quest to “Go Smart Go Beyond”, MTR constantly seeks to improve the customer experience through innovation. In the first six months of the year, we expanded our “Next Train” function – which allows passengers to see estimated train arrival times in real time on our MTR Mobile app and platforms – to cover the South Island and Tsuen Wan lines. This function will be further expanded to cover the entire rail network (including Light Rail). In April, we digitalised passenger information leaflets to promote a paperless environment and ensure prompt updates. In May, we worked closely with Octopus Cards Limited to further upgrade the MTR Student Travel Scheme by enabling customers with “Student Status” to transfer their physical Octopus cards onto Mobile

Octopus, which marked the first-ever instance that Mobile Octopus has carried an MTR concessionary fare discount. We also demonstrated our commitment to accessibility and universal basic mobility through the “MTR • Care” app, which includes features designed to assist passengers with special needs and the elderly.

“Go Smart Go Beyond” is also critical to MTR’s efforts to enhance operational efficiency. Over the first half of the year, we worked to implement a new “Smart Depot Operation” initiative that will help digitalise and automate certain operational and maintenance activities to optimise work productivity. Phase I went live at Ho Tung Lau Depot in July. Meanwhile, “Smart Train Planning”, a cloud-based AI platform co-developed with Alibaba that optimises train mileage regulation and planning, is expected to be completed for the East Rail Line in the third quarter of this year.



HONG KONG TRANSPORT SERVICES STATION COMMERCIAL BUSINESSES

HIGHLIGHTS

- Duty-Free retail and advertising in cross-boundary stations resumed
- 79 stations now have 5G services

HK\$ million	Six months ended 30 June		Inc./(Dec.) %
	2023	2022	
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	1,640	774	111.9
Advertising Revenue	416	352	18.2
Telecommunication Income	309	316	(2.2)
Other Station Commercial Income	50	39	28.2
Total Revenue	2,415	1,481	63.1
EBITDA	2,160	1,237	74.6
EBIT	1,798	1,098	63.8
EBITDA Margin (in %)	89.4%	83.5%	5.9% pts.
EBIT Margin (in %)	74.5%	74.1%	0.4% pt.

In the first half of 2023, total revenue from all Hong Kong station commercial activities increased by 63.1% year on year to HK\$2,415 million. This was mainly due to rental revenue from the Duty Free business, which resumed with the re-opening of cross-boundary stations in early 2023.

Station retail rental revenue increased to HK\$1,640 million from the HK\$774 million recorded in the first half of 2022. Although the resumption of the Duty Free business and relaxation of social distancing measures helped business operations begin returning to normal, station retail rental revenue continued to be affected by negative rental reversions.

As at 30 June 2023, the total number of retail shops in our stations was 1,563, covering 68,273 square metres of station retail area. Rental reversion and average occupancy rates for our station kiosks were -8.4% and 97.0%, respectively.

To help tenants attract customers, MTR continued to run a variety of promotions via its popular MTR Mobile app, MTR Points loyalty scheme and signature Stamp Reward programme. In April 2023, we leveraged the latest round of Government's Consumption Voucher Scheme by partnering with the Octopus App on the "Grab Coupon" promotion and distributing MTR Shops electronic shopping coupons to passengers. We also continued to review our tenant mix – which included introducing pop-up stores – in order to drive rental revenue and ensure that our retail offerings meet the expectations of consumers.

As at 30 June 2023, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was

such that approximately 31% will expire in the second half of 2023, 25% in 2024, 30% in 2025, and 14% in 2026 and beyond.

In terms of trade mix, food and beverage accounted for approximately 45% 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 12% and others at 19% as at 30 June 2023.

Revenue from advertising increased by 18.2% to HK\$416 million in the first half of 2023. This was mainly the result of increased advertising spend following the relaxation of pandemic-related measures.

As at 30 June 2023, the total number of advertising units in stations and trains decreased to 42,817. This was mainly due to reduced in-train advertising card space in the new Q-trains as well as the revamp of advertising panels. In the first six months of the year, we continued the overall digitalisation of our advertising formats and enhancement of our distribution network to meet market demand for flexible display options, dynamic content and targeted advertising.

Revenue from our telecommunications business over the first six months of 2023 decreased by 2.2% to HK\$309 million. We have now launched 5G service in 79 stations throughout our network. In the third quarter of this year, we expect to award the tender for a new commercial system that can support more 5G services and provide even faster data throughput at 24 stations. As at 30 June 2023, around 75% of the capacity at our data centre in Tseung Kwan O had been reserved. We target reaching over 95% within a year. Meanwhile, we continue to explore other data centre opportunities.

PROPERTY AND OTHER BUSINESSES HIGHLIGHTS

- Held soft opening of The Wai shopping centre in July 2023
- Booked property development profits from LOHAS Park Package 11 and various completed projects



Property Rental and Management

HK\$ million	Six months ended 30 June		Inc./ (Dec.) %
	2023	2022	
Hong Kong Property Rental and Management Businesses			
Revenue from Property Rental	2,324	2,188	6.2
Revenue from Property Management	132	119	10.9
Total Revenue	2,456	2,307	6.5
EBITDA	1,998	1,873	6.7
EBIT	1,990	1,865	6.7
EBITDA Margin (in %)	81.4%	81.2%	0.2% pt.
EBIT Margin (in %)	81.0%	80.8%	0.2% pt.

Property rental revenue increased by 6.2% to HK\$2,324 million in the first half of 2023, which was mainly the result of lower rental concessions provided to tenants following the relaxation of pandemic-related measures. The increase was partially offset by negative rental reversions.

MTR shopping malls in Hong Kong recorded a rental reversion of -12.6% and an average occupancy rate of 99%. The Company's 18 floors in Two International Finance Centre were 99% let on average.

Over the first half of the year, MTR rolled out tactical promotions and targeted marketing campaigns to attract shoppers. In May, MTR Malls organised the "Happy Music Festival", a series of music performances and themed events, in support of Government's "Happy Hong Kong" campaign. That same month, MTR Malls launched the "Happy Together" Click & Grab Coupon campaign, giving away shopping vouchers worth a total of more than HK\$20 million.

On 22 July 2023, we proudly held the soft opening of our newest mall, The Wai, located in Tai Wai. The new 60,620-square-metre shopping centre hosts more than 150 retail tenants providing dining, entertainment and other services for the community.

As at 30 June 2023, our attributable share of investment properties in Hong Kong was 257,021 square metres of lettable floor area of retail properties, 39,451 square metres of lettable floor area of office space and 19,206 square metres of property for other use.

As at 30 June 2023, the lease expiry profile of our shopping malls by area occupied was such that approximately 14% will expire in the second half of 2023, 34% in 2024, 21% in 2025, and 31% in 2026 and beyond.

In terms of trade mix, food and beverage accounted for approximately 30% of the leased area of our shopping malls, followed by services at 22%, fashion, beauty and accessories at 21%, leisure and entertainment at 18%, and department stores and supermarkets at 9%.

Property management revenue in Hong Kong increased by 10.9% to HK\$132 million over the first six months of the year, which was mainly due to incremental income from new intake of managed units. As at 30 June 2023, MTR managed more than 121,000 residential units and about 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 2023 was HK\$712 million, which was mainly derived from the initial profit recognition of LOHAS Park Package 11 and residual profits from various completed projects.

Sales activities continued for SOUTHLAND (THE SOUTHSIDE Package 1), La Marina (THE SOUTHSIDE Package 2) and LP10 (LOHAS Park Package 10), with 79%, 84% and 90% of units sold, respectively, during the period under review. Meanwhile, pre-sale activities continued for a number of property development projects. As at 30 June 2023, Villa Garda I and II (LOHAS Park Package 11) were 79% and 24% sold, respectively. Pre-sales for IN ONE (Ho Man Tin Station Package 2) Phases IA, IB and IC were launched in May, March and April, respectively, and were 13%, 98% and 85% sold as at the end of the reporting period. Pre-sale for La Montagne (THE SOUTHSIDE Package 4 Phase 4A) was also launched in July 2023.

For West Rail properties, where we act as agent for relevant subsidiaries of the Kowloon-Canton Railway Corporation, sales activities continued for the Cullinan

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
IN ONE	Chinachem Group	Residential	59,400	October 2018	By phases in 2024
LOHAS Park Station					
Villa Garda	Sino Land Company Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	88,858	April 2019	By phases in 2024
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	190,480	October 2014	Phase I and II completed in 2022 Phase III to be confirmed
		Retail	60,620*		Completed in 2022
Tin Wing Stop					
Tin Wing	Sun Hung Kai Properties Limited	Residential Retail	91,051 205	February 2015	2024
Wong Chuk Hang Station (THE SOUTHSIDE)					
Package 3	CK Asset Holdings Limited	Residential Retail	92,900 47,000	August 2018	2025 Completed in 2023
La Montagne	Kerry Properties Limited, Swire Properties Limited and Sino Land Company Limited	Residential	59,300	October 2019	By phases in 2024
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	2028
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

Property Development Packages to be Awarded⁽¹⁾

Location	Type	Gross floor area (sq. m.)	Period of package tenders	Expected completion date
Oyster Bay	Residential Retail Kindergarten	826,000 30,000 4,500	2023 – 2036	2030 – 2042
Tung Chung East Station ⁽²⁾	Residential Retail Office Kindergarten	456,600 60,000 110,000 1,800	2023 – 2026	2030 – 2034

Notes:

1 Property development packages for which we are acting as development agent for the relevant subsidiaries of KCRC are not included.

2 These property development packages are subject to review in accordance with land grant conditions and completion of statutory processes.

West Development (Nam Cheong Station). As at 30 June 2023, The YOHO Hub Phase 1 (Yuen Long Station) was 43% sold; pre-sale consent has also been obtained for Phase 2. Pre-sales for GRAND MAYFAIR I and II (Kam Sheung Road Station Package 1) continued, with 99% and 82% of units sold as at 30 June 2023, respectively; meanwhile, pre-sale consent has also been obtained for GRAND MAYFAIR III.

Other Businesses

Revenue from Ngong Ping 360 increased to HK\$146 million from the HK\$22 million recorded in the first half of 2022 as visitation rose to 560,000. These results were mainly due to the low base for comparison versus the same period in 2022, when the cable car service was suspended between 7 January and 20 April due to the outbreak of the fifth wave of COVID-19.

Our share of profit from Octopus Holdings Limited increased by 36.4% to HK\$270 million in the first half of the year as a result of the reopening of cross-boundary stations, improved consumer sentiment following the relaxation of social distancing policies and the spill-over effect from Government's Consumption Voucher Scheme. As at 30 June 2023, more than 97,000 service providers in Hong Kong accepted Octopus payments. Another 30 million payment acceptance points are now available in Mainland China and globally through Octopus' collaboration with a third-party payment system. Total cards and other stored-value Octopus products in circulation were 23.7 million, while average daily transaction volumes and value were 15.9 million and HK\$353.4 million, respectively.



GROWING OUR HONG KONG BUSINESSES

HIGHLIGHTS

- Entered into a Project Agreement with Government for the Tung Chung Line Extension
- Progressed THE SOUTHSIDE shopping mall in preparation for phased opening starting from the fourth quarter of 2023

In the first half of 2023, we began construction on another major infrastructure project, the Tung Chung Line Extension. The project marks the dawn of a new era in Hong Kong's rail network expansion that will see the Company "Go Beyond Boundaries" by making further enhancements to transport efficiency and introducing quality TOD across the city over the next decade. This phase includes several other new projects under Government's Railway Development Strategy 2014 ("RDS 2014") and projects under the Northern Metropolis Development Strategy, initiatives that are designed to enhance connectivity between local communities and neighbouring cities in the Greater Bay Area. Meanwhile, we continued to expand MTR's retail portfolio with exciting new mall developments that will provide even more quality shopping options for growing areas along the Company's network.

During the first half of 2023, we completed the periodic review of our Operating Agreement with Government. In addition to reviewing a number of the performance requirements, we also reviewed the provisions relating to the land premium arrangements for future projects in light, in particular, of the revised arrangements which were agreed for the Oyster Bay and Tung Chung Line Extension projects, for which the land premium was to be assessed on a full market value basis (i.e. on a with-railway basis rather than ignoring the presence of the railway), with certain agreed amounts deducted. The revised Operating Agreement provides that, going forward, the same approach will be adopted (unless otherwise agreed by the Company and the Government) having regard to the acknowledgements contained in the Operating Agreement that the Company will continue to require an appropriate commercial rate of return when undertaking new projects.

Projects in Progress

On 28 February, MTR signed a Project Agreement with Government for the financing, design, construction, operation and maintenance of the Tung Chung Line Extension. The Company will also undertake the construction of the Airport Railway Extended Overrun Tunnel. The Tung Chung Line Extension includes the diversion of an approximately 1.2-km-long section of track between the existing Tung Chung Station and Sunny Bay Station; the westward extension of the existing Tung Chung Line by approximately 1.3 km; and the construction of a new Tung Chung East Station, located between Tung Chung Station and Sunny Bay Station, and a new Tung Chung West Station, which will become the line's new terminus. Upon its commissioning, the Tung Chung Line Extension will provide the Tung Chung new town extension and its existing population with a direct railway service. The Airport Railway Extended Overrun Tunnel will facilitate an enhanced turnaround for Tung Chung Line and Airport Express trains. The overall project is being funded by the financial contribution from the "Rail plus Property" model and the Company's internal resources.

A ground-breaking ceremony was held on 25 May, making the Tung Chung Line Extension the first RDS 2014 project to commence construction. The Tung Chung Line Extension is targeted for completion in 2029. Construction on the Airport Railway Extended Overrun Tunnel is targeted to commence in 2025 for completion in 2032.

In addition to the Tung Chung Line Extension, the upcoming Oyster Bay Station is set to enhance connectivity in Lantau North and cater to the future population of Oyster Bay. The station will be located at Siu Ho Wan, between Sunny Bay and Tung Chung stations. Construction is expected to commence in 2023, and the project is targeted for completion in 2030.

Expanding the Property Portfolio

Investment Properties

After the soft opening of The Wai in July 2023, we anticipate opening THE SOUTHSIDE shopping mall in Wong Chuk Hang in phases starting from the fourth quarter of the year. THE SOUTHSIDE is more than 50% pre-leased and will feature approximately 150 merchants across its 47,000 square metres of GFA.

Other New Railway Projects

We are closely involved in a number of other key projects under RDS 2014, the blueprint for the next phase of Hong Kong's railway network expansion. The scheme for the Tuen Mun South Extension was authorised under the Railways Ordinance in June 2022. Construction is targeted to commence in 2023, and the project is expected to be completed in 2030. The scheme for the new Kwu Tung Station, located on the East Rail Line between Lok Ma Chau and Sheung Shui stations, was authorised under the Railways Ordinance in November 2022. Construction is expected to begin later this year with a target completion date of 2027. The negotiations for the project agreements with Government in respect of both the Tuen Mun South Extension and Kwu Tung Station are at advanced stages. The design works of the Northern Link main line remain in progress. We also continue to develop detailed design and planning for Hung Shui Kiu Station, which is to be located on the Tuen Ma Line between Tin Shui Wai and Siu Hong stations. Elsewhere, we continue to work with Government on challenges pertaining to the North Island Line and South Island Line (West).

MTR fully supports Government's proposed Northern Metropolis Development Strategy as well as the railway projects recommended under the Strategic Studies on Railways and Major Roads Beyond 2030 ("RMR2030+"), which together will extend Hong Kong's rail network to provide greater connectivity between local communities while strengthening linkage with other cities in the Greater Bay Area. We are currently working with Government on RMR2030+ projects, including the Tseung Kwan O Line Southern Extension and Central Rail Link. We are also progressing a construction study on the new Pak Shek Kok Station located on the East Rail Line.

Residential Property Development

Oyster Bay, adjacent to the future Oyster Bay Station, will be developed in phases and provide about 10,720 private residential units. The intake for the first batch of residents is expected in 2030 subject to the awarding of the tender, which is dependent on market conditions.

We have 14 on-going residential property projects in the pipeline that will deliver a total of approximately 16,000 units to the local housing market in the near to medium term. Regarding the property development at Tung Chung East Station, we will start preparation work for tendering subject to market conditions. We also continue to study the development potential of other areas along our existing and future railway lines.



MAINLAND CHINA AND INTERNATIONAL BUSINESSES

HIGHLIGHTS

- Concessions for South Western Railway and Melbourne's metropolitan rail service extended to May 2025 and mid-2026, respectively
- Remaining section of Beijing Metro Line 16 and the northern section of Beijing Metro Line 17 continued to progress and are targeted to open by the end of this year

This segment enables us to diversify our revenue streams geographically while building the MTR brand around the world. It also forms an important pillar of our Corporate Strategy alongside our Hong Kong Core and New Growth Engine, creating opportunities in high-potential markets that can support the Company's long-term business

development goals. During the period under review, MTR provided world-class, low-carbon mass transit services to approximately 1.1 billion passengers in Mainland China, Macao, Europe and Australia through its subsidiaries, associates and joint ventures.

Mainland China and International Businesses

Six months ended 30 June HK\$ million	Mainland China and Macao Railway, Property Rental and Property Management Businesses*			International Railway Businesses			Total		
	2023	2022	Inc./ (Dec.) %	2023	2022	Inc./ (Dec.) %	2023	2022	Inc./ (Dec.) %
Recurrent Businesses									
Subsidiaries									
Revenue	863	818	5.5	12,216	12,332	(0.9)	13,079	13,150	(0.5)
EBITDA	152	121	25.6	380	802	(52.6)	532	923	(42.4)
EBIT	22	114	(80.7)	268	677	(60.4)	290	791	(63.3)
EBITDA Margin (in %)	17.6%	14.8%	2.8% pts.	3.1%	6.5%	(3.4)% pts.	4.1%	7.0%	(2.9)% pts.
EBIT Margin (in %)	2.5%	13.9%	(11.4)% pts.	2.2%	5.5%	(3.3)% pts.	2.2%	6.0%	(3.8)% pts.
Recurrent Business (Loss)/Profit (Net of Non-controlling Interests)	(9)	94	n/m	(32)	270	n/m	(41)	364	n/m
Associates and Joint Ventures									
Share of Profit	335	257	30.4	27	35	(22.9)	362	292	24.0
Profit/(Loss) Attributable to Shareholders of the Company									
– Arising from Recurrent Businesses (before Business Development Expenses and Impairment Loss)							321	656	(51.1)
– Business Development Expenses							(128)	(140)	8.6
– Arising from Recurrent Businesses (after Business Development Expenses but before Impairment Loss)							193	516	(62.6)
– Impairment Loss on Shenzhen Metro Line 4							–	(962)	n/m
– Arising from Recurrent Businesses (after Business Development Expenses and Impairment Loss)							193	(446)	n/m
– Arising from Mainland China Property Development							20	39	(48.7)
– Arising from Underlying Businesses							213	(407)	n/m

n/m: not meaningful

* Excluding the impairment loss of HK\$962 million on Shenzhen Metro Line 4 in Mainland China provided during the six months ended 30 June 2022

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\$193 million in the first half of 2023 on an attributable basis compared with the net after-tax profit of HK\$516 million that was recorded during the first six months of last year, before the HK\$962 million impairment provision made for Shenzhen Metro Line 4 ("SZL4") in 2022.

In Mainland China and Macao, recurrent business loss from railway, property rental and property management subsidiaries was HK\$9 million in the first half of 2023. The loss was mainly due to a lower contribution from SZL4.

In our international businesses, recurrent business loss from our railway subsidiaries was HK\$32 million in the first half of 2023. This was mainly because of the continued operating losses incurred by Stockholms pendeltåg and Mälartåg due to operational challenges.

Our share of profits from our associates and joint ventures increased to HK\$362 million from the HK\$292 million recorded in the first half of 2022. This was primarily due to the improved performance of our operations in Mainland China.

Railway Businesses in Mainland China

Beijing

In Beijing, our associate operates Beijing Metro Line 4, the Daxing Line, Beijing Metro Line 14, the Northern, Middle and Southern sections of Beijing Metro Line 16 ("BJL16"), and the initial section of Beijing Metro Line 17 ("BJL17"). All lines delivered 99.9% on-time performance in the first half of the year. BJL16 Erligou Station opened in March, and the remaining section is targeted for opening by the end of this year. The remaining sections of BJL17 are under construction, and the northern section is targeted to open by the end of this year.

Shenzhen

SZL4, including the SZL4 North Extension, is operated by our wholly owned subsidiary. The line maintained

stable operations during the first half of the year with on-time performance of 99.9%. Shenzhen Metro Line 13 remains under construction with an expected initial opening date of 2024.

As previously stated, there has been no increase in fares for SZL4 since we began operating the line in 2010. We anticipate that the mechanism and procedures for fare adjustments will take a longer time to implement, and that patronage will remain at a lower level for longer than expected. Hence, an impairment provision of HK\$962 million was recognised for the SZL4 service concession assets in the first half of last year.

Hangzhou

In Hangzhou, Hangzhou Metro Line 1 ("HZL1"), the Xiasha Extension and Airport Extension, and Hangzhou Metro Line 5 all achieved stable operations over the first six months of 2023 with on-time performance of 99.9%.

HZL1 has been suffering from losses for much of the past several years due to slow growth in patronage and the pandemic. As there is no patronage protection mechanism under this concession agreement, the line's long-term financial viability will be impacted if patronage remains at a lower level over a further period of time, especially when compounded by the lower average fare resulting from the expanded network.

Property Business in Mainland China

As at 30 June 2023, 30 of the remaining 32 units at the Tiara, the residential development located at SZL4 Depot Site Lot 1, had been sold. Foot traffic at TIA Mall in Shenzhen and Ginza Mall in Beijing have shown gradual signs of recovery from the pandemic.

The construction of the shopping mall at Tianjin Beiyunhe Station is targeted for completion in 2024. The Company is now studying possible strategic options for this mall in light of challenging retail property market conditions. Elsewhere, we continued to progress the Hangzhou West Station TOD project during the first half of 2023.

Macao

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line. Train

services achieved stable operations over the first half of the year. This service contract will end in December 2024.

Europe

United Kingdom

In 2022, the concession to operate the Elizabeth line was extended to May 2025. The Elizabeth line achieved stable operations during the first half of the year. The final full peak timetable was introduced in May 2023, increasing peak-time frequencies to 24 trains per hour from 22 in each direction between Paddington and Whitechapel stations. On 4 May, the Prince and Princess of Wales took their first-ever trip on the Elizabeth line.

Our associate operates the South Western Railway, one of the UK's largest rail networks. Services were stable during the first half of the year. Under the National Rail Contract that was extended in February 2023 by two years till May 2025, the UK Department for Transport retains all revenue risk and substantially all cost risk for this service.

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 half of 2023. Our contract for this service runs to 2025. We submitted a bid for the new Stockholm Metro service contract in July 2023, and the result is expected in the first half of 2024.

Operations at MTRX were also stable during the first six months of the year. However, due to various challenges, we are exploring divestment as well as other options for this business.

Stockholms pendeltåg continued to face challenges from a shortage of local drivers and maintenance issues during the reporting period. We are working hard to improve the financial situation of this service, which is operating at a loss, and reviewing our options for how best to proceed. As previously announced by the Stockholm Transport Authority, this contract will not be extended when it ends in 2026.

At Mälartåg, operations over the first six months of 2023 were also impacted by a shortage of local drivers and maintenance issues, and we are trying to improve the financial performance of this service as well. If the issues cannot be resolved in the near term, the financial sustainability of this contract may be impacted, and a loss provision would need to be considered. We are currently studying options as to the way forward for this business.

Australia

The Melbourne metropolitan rail network achieved stable operations during the period under review. The concession for this service has been extended by 18 months to mid-2026, and we continue to support our client, the Victoria State Government, on various network improvement initiatives. We are currently supporting the delivery of the 9-km-long Metro Tunnel, which will provide a new railway connection through Melbourne's CBD and boost capacity by more than half

a million passengers a week. The tunnel is scheduled to open in 2025.

The Sydney Metro North West Line achieved stable operational performance and customer satisfaction over the first six months of the year. We were proud to receive the "Operator & Service Provider Excellence Award" for this line at the National Infrastructure Awards 2023. For the Sydney Metro City & Southwest Project, we began dynamic testing for the Phase 1 City Section in April 2023 with the first train running under Sydney Harbour.

Growth Outside of Hong Kong

During the reporting period, we continued to seek growth opportunities in Mainland China as well as overseas. In July, the Company signed a Memorandum of Understanding with Mass Rapid Transit Corporation Sdn. Bhd. ("MRT Corp") to collaborate on the setting out of a framework for a TOD project adjacent to the new terminal station of a new rapid transit line in Malaysia. The project

would see MTR and MRT Corp build a new community integrating railway, residential and commercial elements. Discussions regarding transport infrastructure, station commercial and TOD opportunities are also on-going in areas including Chengdu and the Greater Bay Area.

NEW GROWTH ENGINE

MTR Lab, an innovation investment company under our “New Growth Engine” strategic pillar, creates strategic value by investing in technologies and formulating innovative solutions that support the long-term growth of communities. In April, it was announced that MTR Lab and Cyberport had jointly invested in alfred24, a locally based logistics technology start-up with innovative solutions designed to help reduce the time, costs and carbon emissions associated with the commercial delivery cycle. In June, MTR Lab partnered with 2150 and Taronga Ventures to invest in Ampd Energy, a provider of energy storage systems for construction sites that produce up to 85% less carbon dioxide emissions than traditional diesel generators.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental, Social and Governance (“ESG”) lies at the heart of everything we do at MTR. From providing safe, reliable and low-carbon rail transit services for people from all walks of life, to helping build and rejuvenate neighbourhoods with world-class residential and retail projects, we constantly strive to meet the high standards of environmental and social responsibility that our stakeholders expect of us. For 2023, we have set 44 key performance indicators to gauge our performance across 10 focus areas in our three environmental and social objectives of Greenhouse Gas (“GHG”) Emissions Reduction, Social Inclusion, and Advancement and Opportunities. Achieving these objectives is paramount to driving sustainable growth for the Company and the communities it serves.

Environmental Aspects

In June, we announced that the Science Based Targets initiative (“SBTi”) has approved MTR’s targets for reducing the Company’s GHG emissions for its railway and property businesses in Hong Kong. Under these targets, we will reduce about half of our GHG emissions by 2030, using the base year of 2019 for comparison. Meeting these targets will help us attain our long-term goal of achieving carbon neutrality by 2050. At the same time, MTR employs solar technology to generate renewable energy. We currently have five solar photovoltaic projects at our depots and stations, and all of the installation

work has already been completed. In June, we organised our first-ever Green Week in Hong Kong, collaborating with over 20 green NGOs and partners to enhance colleagues’ understanding of our objectives in GHG emissions reduction.

Social Aspects

Railways form the backbone of mass transit in Hong Kong, which is why MTR aims to ensure that its services are accessible, inclusive, safe and affordable for everyone. The Company also works hard to promote diversity, equity and inclusion in our workforce and equal opportunities for communities and business partners. During the period under review, we continued to reach out to families and youth through several educational and artistic initiatives. Some highlights of the first half of the year included the transformation of Admiralty Station into the “Double Ducks-Themed Station” and the relaunch of the “Living Arts Stage” at Hong Kong Station. The Budding Station Master Programme was also relaunched to offer primary school students a unique learning experience at stations. In collaboration with the True Colors Symphony and The Zubin Foundation, the Company hosted the “Multicultural Green Music Show” in Maritime Square in June, bringing together families from diverse cultural backgrounds to perform music using instruments made from retired train parts. Our International Women’s Day celebration in March included the launch of our Gender Equity Network 2023, which aim to promote equal opportunities in the workplace.

Passengers around the world depend on MTR for their daily commuting needs, which makes ensuring their safety our number one priority. During the period under review, we completed an asset management system review of the Company’s operations and railway portfolio in Hong Kong, continued to review our safety and health practices, conducted thorough staff training on the fundamentals of public and workplace safety, and raised awareness among members of the public – particularly youth and the elderly – on the principles of keeping safe when travelling the MTR network. In the first half of 2023, the number of reportable events on our heavy rail and light rail networks increased by 107% and 70%, respectively, compared to the same period in 2022. These events were mostly related to escalators. In response, our Escalator Safety Special Task Force continued to promote the importance of riding escalators safely to prevent

accidents. We also established a tailor-made Elderly Caring Programme focusing on incident prevention and reduction as well as safety education for the elderly.

Governance

The Company strives to achieve world-class standards of corporate governance in order to ensure ethical conduct and transparency in its business activities and instil confidence among shareholders and stakeholders. Over the first six months of the year, we further strengthened our governance efforts by achieving our target of having 25% female members on the Board by 2025.

Being one of the world's largest operators of mass transit railways, the Company must adhere to comprehensive enterprise risk management practices across a broad range of areas and activities to, inter alia, protect the safety and health of the general public and staff and ensure business continuity in the event of emerging developments. Our robust enterprise risk management framework covers a wide range of risks, including strategic, operational, financial, compliance and reputational risks, as well as measures to enhance resiliency, such as preparedness, mitigations and contingencies. We also conduct regular reviews of our top risks, emerging risks and ESG-related risks to account for our constantly evolving business and operating environments. During the reporting period, we continued to implement our "three lines of defence" framework to ensure proactive and effective management of risk, and we also commissioned an independent review of our enterprise risk management framework to identify continuous improvement opportunities and leading risk management practices.

HUMAN RESOURCES

As at 30 June 2023, MTR and its subsidiaries employed 17,180 people in Hong Kong and 15,797 people outside of Hong Kong. Our associates and joint ventures employed an additional 20,739 people in Hong Kong and worldwide. The voluntary staff turnover rate in Hong Kong was 7.4% over the first six months of the year.

In a challenging labour market, we seek to attract and retain top talent by offering competitive pay and benefits, short- and long-term incentive schemes, a broad range of career development opportunities, and performance-

based recognition and rewards. We offer advancement and opportunities for our staff by investing significantly in their training, development and careers while promoting work-life balance through well-being initiatives and family-friendly policies. Over the first six months of the year, we provided an average of 2.5 training days per employee in Hong Kong. To build a talent pipeline for the long term and provide career opportunities for Hong Kong's youth, we have also continued our graduate, apprenticeship and internship recruitment initiatives this year through a variety of virtual and physical means.

As part of our continuous listening strategy, we conducted an Employee Engagement Survey Pulse Survey in December 2022, and the results, analyses and insights were communicated to management and staff in February 2023. Since then, we have implemented follow-up actions at the Corporate and Business Unit/Function levels to address staff concerns and create a better work experience for colleagues in a challenging business environment. A full survey will be conducted in the fourth quarter of 2023.

MTR ACADEMY

Through the MTR Academy, we offer our railway management and engineering expertise to young and established professionals alike through high-quality accredited programmes and short courses in an effort to further careers and nurture the next generation of industry talent. The Academy is also an effective vehicle for promoting the MTR brand across Mainland China and Belt and Road countries.

In February 2023, the Academy launched its MTR Research Funding scheme, which supports forward-looking research projects at universities that aim to explore, shape and realise the mass public transport systems of tomorrow. Research outcomes are expected to complement MTR's own efforts to utilise technology and innovation to create smart railways. As at end-June 2023, a total of 84 applications had been received. Stringent evaluations are now underway to shortlist potential projects to be funded.