

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 Basis of Preparation

This interim financial report is unaudited but has been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's review report to the Board of Directors is set out on page 76. In addition, this interim financial report has been reviewed by the Company's Audit & Risk Committee.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the HKICPA.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains the condensed consolidated interim financial statements and selected explanatory notes, which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates and joint ventures since the issuance of the 2024 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRS Accounting Standards, and should be read in conjunction with the 2024 annual financial statements.

The financial information relating to the financial year ended 31 December 2024 included in this interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2024 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.
- The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The HKICPA has issued a number of amendments to HKFRS Accounting Standards that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Except for the new accounting policy for perpetual capital securities as disclosed in note 27, the accounting policies adopted for the preparation of this interim financial report are the same as those adopted in the preparation of the 2024 annual financial statements.

2 Revenue and Expenses Relating to Mainland China and International Subsidiaries

Revenue and expenses relating to Mainland China and international subsidiaries comprise:

in HK\$ million	Six months ended 30 June 2025		Six months ended 30 June 2024	
	Revenue	Expenses	Revenue	Expenses
Melbourne's Metropolitan Rail Services	5,692	5,351	6,585	6,211
Sydney Metro M1 Metro North West and Bankstown Line*	781	690	671	632
Sydney Metro City & Southwest (Design and Delivery)	312	296	556	520
MTR Nordic	1,492	1,398	2,139	2,014
London Elizabeth Line	1,378	1,284	1,495	1,374
Shenzhen Metro Line 4 ("SZL4")	383	300	366	300
Shenzhen Metro Line 13 Phase 1 project (note 13A)	112	159	292	292
Others	33	29	325	377
	10,183	9,507	12,429	11,720
Property development in Mainland China	14	10	–	2
Total Mainland China and international subsidiaries	10,197	9,517	12,429	11,722

* The Sydney Metro M1 Metro North West and Bankstown Line comprises the former Sydney Metro North West Line and operation of city section of Sydney Metro City & Southwest opened in August 2024.

The Group disposed of its operations of Beijing Ginza Mall in Mainland China and MTRX in Sweden in May 2024, as well as early terminated the concessions for Stockholms pendeltåg and Mälartåg in Sweden in March 2024 and June 2024 respectively. In this regard, included in "Expenses relating to Mainland China and international subsidiaries" during the six months ended 30 June 2024 was a net aggregated loss of HK\$100 million principally arising from the disposal of the Group's operation in Beijing Ginza Mall.

3 Segmental Information

The Group's businesses consist of (i) recurrent businesses (comprising Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, and other businesses (collectively referred to as "recurrent businesses in Hong Kong"), and Mainland China and international railway, property rental and management businesses (referred as "recurrent businesses outside of Hong Kong"), and both excluding fair value measurement of investment properties) and (ii) property development businesses (together with recurrent businesses referred to as "underlying businesses").

The Group manages its businesses by the various business executive committees. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

- (i) Hong Kong transport operations: The provision of passenger operation and related services on the domestic mass transit railway system in Hong Kong, the Airport Express serving both the Hong Kong International Airport and the AsiaWorld-Expo at Chek Lap Kok, cross-boundary railway connection with Mainland China at Lo Wu and Lok Ma Chau, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) ("High Speed Rail"), light rail and bus feeder with railway system in the north-west New Territories and intercity railway transport with certain cities in Mainland China.
- (ii) Hong Kong station commercial businesses: Commercial activities including the letting of advertising, retail and car parking spaces at railway stations, the provision of telecommunication, bandwidth and data centre services in railway and other premises, and other commercial activities within the Hong Kong transport operations network.
- (iii) Hong Kong property rental and management businesses: The letting of retail, office and car parking spaces and the provision of property management services in Hong Kong.
- (iv) Hong Kong property development: Property development activities at locations near the railway systems in Hong Kong.
- (v) Mainland China and international railway, property rental and management businesses: The construction, operation and maintenance of mass transit railway systems including station commercial activities outside of Hong Kong and the letting of retail spaces and provision of property management services in Mainland China.
- (vi) Mainland China property development: Property development activities in Mainland China.
- (vii) Other businesses: Businesses not directly relating to transport operations or properties such as Ngong Ping 360, which comprises cable car operation in Tung Chung and related businesses at the Ngong Ping Village, railway consultancy business, investment in Octopus Holdings Limited and the provision of project management services to the Government of the Hong Kong Special Administrative Region (the "HKSAR Government" or "Government").

3 Segmental Information *(continued)*

The results of the reportable segments and reconciliation to the corresponding consolidated totals in the interim financial report are shown below:

in HK\$ million	Hong Kong transport services				Mainland China and international affiliates				Un-allocated amount	Total
	Hong Kong transport operations	Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development	Mainland China and international railway, property rental and management businesses	Mainland China property development	Other businesses			
Six months ended 30 June 2025										
Revenue from contracts with customers within the scope of HKFRS 15	11,509	795	205	–	10,169	14	373	–	23,065	
– Recognised at a point in time	10,813	18	–	–	1,908	14	241	–	12,994	
– Recognised over time	696	777	205	–	8,261	–	132	–	10,071	
Revenue from other sources	–	1,826	2,452	–	14	–	3	–	4,295	
Total revenue	11,509	2,621	2,657	–	10,183	14	376	–	27,360	
Operating expenses	(7,543)	(377)	(556)	–	(9,507)	(10)	(302)	–	(18,295)	
Project study and business development expenses	–	–	–	–	(127)	–	–	(100)	(227)	
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	3,966	2,244	2,101	–	549	4	74	(100)	8,838	
Hong Kong property development profit from share of surplus, income and interest in unsold properties	–	–	–	6,594	–	–	–	–	6,594	
Loss from fair value measurement of investment properties	–	–	(1,061)	–	(163)	–	–	–	(1,224)	
Operating profit/(loss) before depreciation, amortisation and variable annual payment	3,966	2,244	1,040	6,594	386	4	74	(100)	14,208	
Depreciation and amortisation	(2,653)	(130)	(14)	–	(267)	–	(35)	–	(3,099)	
Variable annual payment	(1,215)	(316)	(3)	–	–	–	–	–	(1,534)	
Share of profit of associates and joint ventures	–	–	–	–	389	–	212	–	601	
Profit/(loss) before interest, finance charges and taxation	98	1,798	1,023	6,594	508	4	251	(100)	10,176	
Interest and finance charges	–	–	–	–	22	13	–	(655)	(620)	
Income tax	–	–	–	(1,064)	(186)	(5)	–	(479)	(1,734)	
Profit/(loss) for the six months ended 30 June 2025	98	1,798	1,023	5,530	344	12	251	(1,234)	7,822	

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3 Segmental Information (continued)

	Hong Kong transport services				Mainland China and international affiliates				
					Mainland China and international railway, property rental and management businesses	Mainland China property development	Other businesses	Un-allocated amount	
in HK\$ million	Hong Kong transport operations	Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development					Total
Six months ended 30 June 2024									
Revenue from contracts with customers within the scope of HKFRS 15	11,138	858	187	–	12,389	–	370	–	24,942
– Recognised at a point in time	10,436	16	–	–	2,483	–	241	–	13,176
– Recognised over time	702	842	187	–	9,906	–	129	–	11,766
Revenue from other sources	–	1,780	2,501	–	40	–	8	–	4,329
Total revenue	11,138	2,638	2,688	–	12,429	–	378	–	29,271
Operating expenses	(7,079)	(310)	(525)	–	(11,720)	(2)	(326)	–	(19,962)
Project study and business development expenses	–	–	–	–	(142)	–	–	(55)	(197)
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	4,059	2,328	2,163	–	567	(2)	52	(55)	9,112
Hong Kong property development profit from share of surplus, income and interest in unsold properties	–	–	–	2,024	–	–	–	–	2,024
Gain/(loss) from fair value measurement of investment properties	–	–	331	–	(51)	–	–	–	280
Operating profit/(loss) before depreciation, amortisation and variable annual payment	4,059	2,328	2,494	2,024	516	(2)	52	(55)	11,416
Depreciation and amortisation	(2,520)	(124)	(6)	–	(223)	–	(33)	–	(2,906)
Variable annual payment	(1,124)	(307)	(3)	–	–	–	–	–	(1,434)
Share of profit of associates and joint ventures	–	–	–	–	448	–	225	–	673
Profit/(loss) before interest, finance charges and taxation	415	1,897	2,485	2,024	741	(2)	244	(55)	7,749
Interest and finance charges	–	–	–	–	31	23	–	(548)	(494)
Income tax	–	–	–	(302)	(181)	(3)	–	(625)	(1,111)
Profit/(loss) for the six months ended 30 June 2024	415	1,897	2,485	1,722	591	18	244	(1,228)	6,144

For the six months ended 30 June 2025, profit attributable to shareholders of the Company arising from recurrent businesses in Hong Kong of HK\$2,973 million (2024: HK\$3,482 million) represents (i) the profit for the period of HK\$4,231 million (2024: HK\$4,710 million) arising from recurrent businesses in Hong Kong (after excluding loss from fair value measurement of investment properties of HK\$1,061 million (2024: gain of HK\$331 million)), (ii) un-allocated expenses of HK\$1,234 million (2024: HK\$1,228 million) in Hong Kong, and (iii) net of profit attributable to perpetual capital securities holders of HK\$24 million (2024: HK\$nil).

For the six months ended 30 June 2025, profit attributable to shareholders of the Company arising from recurrent businesses outside Hong Kong of HK\$418 million (2024: HK\$542 million) represents (i) the profit for the period of HK\$507 million (2024: HK\$642 million) arising from recurrent business outside Hong Kong (after excluding loss from fair value measurement of investment properties of HK\$163 million (2024: HK\$51 million)), and (ii) net of profit attributable to non-controlling interests of HK\$89 million (2024: HK\$100 million).

For the six months ended 30 June 2025, loss attributable to shareholders of the Company arising from fair value measurement of investment properties of HK\$1,224 million (2024: profit of HK\$280 million) represents loss from fair value remeasurement on investment properties of HK\$2,702 million (2024: HK\$810 million), and gain from fair value measurement of investment properties on initial recognition from property development of HK\$1,478 million (2024: HK\$1,090 million).

3 Segmental Information *(continued)*

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or goods were delivered.

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Hong Kong SAR (place of domicile)	17,157	16,837
Australia	6,785	7,812
Mainland China and Macao SAR	530	937
Sweden	1,492	2,139
United Kingdom	1,396	1,546
	10,203	12,434
	27,360	29,271

4 Hong Kong Property Development Profit from Share of Surplus, Income and Interest in Unsold Properties

Hong Kong property development profit from share of surplus, income and interest in unsold properties comprises:

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Share of surplus, income and interest in unsold properties from property development	6,592	1,995
Agency fee and other income from West Rail property development	5	33
Overheads	(3)	(4)
Hong Kong property development profit (pre-tax)	6,594	2,024
Hong Kong property development profit (post-tax)	5,530	1,722

For the six months ended 30 June 2025, profit attributable to shareholders of the Company arising from Hong Kong property development of HK\$5,530 million (2024: HK\$1,722 million) represents Hong Kong property development profit of HK\$6,594 million (2024: HK\$2,024 million) and related income tax expenses of HK\$1,064 million (2024: HK\$302 million).

5 (Loss)/Gain from Fair Value Measurement of Investment Properties

(Loss) / gain from fair value measurement of investment properties comprises:

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Loss from fair value remeasurement on investment properties	(2,702)	(810)
Gain from fair value measurement of investment properties on initial recognition from property development	1,478	1,090
	(1,224)	280

During the year ended 31 December 2023, investment property with a carrying value of HK\$5.2 billion was initially recognised upon the receipt of a shopping mall from a property development project.

In accordance with the Group's accounting policies, deferred income of HK\$5.0 billion was initially recognised after taking into account HK\$0.2 billion cost incurred/to be incurred by the Group in connection with this property development. The outstanding risks and obligations retained by the Group will be reassessed at the end of each reporting period. Any reduction in the amount of outstanding risks and obligations will be accounted for as a decrease in deferred income and a corresponding "Gain from fair value measurement of investment properties on initial recognition from property development" in profit or loss of that reporting period.

During the six months ended 30 June 2025, after reassessing the outstanding risks and obligations retained by the Group at the end of reporting period, the remaining HK\$1.5 billion (2024: HK\$1.1 billion) was recognised as gain from fair value measurement of investment properties on initial recognition from property development in profit or loss. As at 30 June 2025, deferred income of HK\$nil (31 December 2024: HK\$1.5 billion) was recognised in the Group's consolidated statement of financial position and included in "Creditors, other payables and provisions" (note 23).

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6 Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures comprises:

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Share of profit before taxation	935	893
Share of income tax expenses	(334)	(220)
	601	673

7 Interest and Finance Charges

Interest and finance charges comprise:

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Interest expenses in respect of:		
– Bank loans, overdrafts and capital market instruments	1,600	1,230
– Obligations under service concession	336	350
– Lease liabilities	8	13
– Others	–	13
Finance charges	67	21
Exchange loss/(gain)	501	(166)
	2,512	1,461
Derivative financial instruments:		
– Fair value hedges	61	29
– Cash flow hedges:		
– transferred from hedging reserve to interest expenses	(121)	(63)
– transferred from hedging reserve to offset exchange (loss)/gain	(460)	174
– hedge ineffectiveness	40	–
– Derivatives not adopting hedge accounting	–	1
	(480)	141
Interest expenses capitalised	(610)	(470)
	1,422	1,132
Interest income in respect of:		
– Deposits with banks	(726)	(571)
– Others	(76)	(67)
	(802)	(638)
	620	494

8 Income Tax

A Income tax in the consolidated statement of profit or loss represents:

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Current tax		
– Hong Kong Profits Tax	1,484	851
– Tax outside Hong Kong	174	251
	1,658	1,102
Deferred tax		
– Origination and reversal of temporary differences on:		
– tax losses	1	2
– depreciation allowances in excess of related depreciation	46	111
– provisions and others	27	(108)
– right-of-use assets	(1)	(10)
– lease liabilities	3	14
	76	9
	1,734	1,111

Except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime in Hong Kong, the provision for Hong Kong Profits Tax for the six months ended 30 June 2025 is calculated at 16.5% (2024: 16.5%) on the estimated assessable profits for the period after deducting accumulated tax losses brought forward, if any. Under the two-tiered Profits Tax rate regime, the Company's first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated on the same basis as 2024.

Current taxes for subsidiaries outside Hong Kong are charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

Provision for deferred tax on temporary differences arising in Hong Kong is calculated at the Hong Kong Profits Tax rate at 16.5% (2024: 16.5%), while that arising outside Hong Kong is calculated at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

B 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 the first six months of 2025/2026 amounted to HK\$6.1 billion (31 December 2024: for the years of tax assessment from 2007/2008 to 2024/2025 amounted to HK\$5.8 billion).

(i) As of 30 June 2025, 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 2018/2019 (31 December 2024: 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 counsel and its 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\$2.8 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.

(ii) 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 its tax advisor, and obtained further advice from another external legal counsel. Based on the advice from the external legal counsel and its 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.

(iii) After discussing with the external legal counsel and its tax advisor on the approach to the appeal, the Company decided not to pursue its deduction claims in respect of the amortisation of upfront payment and cut-over liabilities during the opening submission before Board of Review. As the Company had already made the related tax provision for the amortisation of upfront payment and cut-over liabilities in the past years taking into account the uncertainty in their tax deductibility, no additional tax provision is required. The hearing of appeal was held before the Board of Review in early 2024.

(iv) On 6 August 2024, the Board of Review has issued its decision ("the Board of Review Decision") and has disagreed with the deduction claims of the fixed annual payments and variable annual payments for the years of assessment from 2011/2012 to 2017/2018. It confirmed the relevant profits tax assessment/additional profits tax assessments in respect of the fixed annual payments and variable annual payments being non-tax deductible.

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8 Income Tax (continued)

(v) The Company, external legal counsel and its tax advisor have completed their review of the Board of Review Decision and the advice obtained continues to be that the Company has strong legal grounds to support its position. Based on the strength of advice from external legal counsel and its tax advisor, on 4 September 2024, the Company lodged an application to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region ("the Court of First Instance") for leave to appeal against the Board of Review Decision. The hearing for the application of leave to appeal was held before the Court of First Instance in late February 2025.

On 27 May 2025, the Court of First Instance handed down its decision and granted leave for the Company to appeal against the Board of Review Decision. The Company has conferred with external legal counsel and its tax advisor and the advice obtained is that the Company continues to have strong legal grounds to support its position. As such, the Company has proceeded with its appeal against the Board of Review Decision and no additional tax provision has been made. The hearing of the appeal before the Court of First Instance is scheduled to be held in early 2027.

As mentioned above, the total tax amount in respect of the Sums for the years of assessment from 2007/2008 to the first six months of 2025/2026 amounted to HK\$6.1 billion (31 December 2024: the years of assessment from 2007/2008 to 2024/2025 amounted to HK\$5.8 billion). As at 30 June 2025, the related tax provision made for the amortisation of upfront payment and cut-over liabilities amounted to HK\$0.2 billion (as of 31 December 2024: HK\$0.2 billion), of which HK\$14 million was utilised during the six months ended 30 June 2025 (2024: HK\$nil) for the settlement of the related additional profits tax assessment.

C Pillar Two Income Taxes

The Group has key operations in Australia, Sweden, the United Kingdom and Hong Kong, where these jurisdictions have enacted or substantially enacted new tax laws to implement the Pillar Two model rules published by the OECD.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and has accounted for the tax as current tax when incurred, if any. During the six months ended 30 June 2025, the Group has recognised HK\$nil for the current tax relating to the Pillar Two model rules where new tax laws, for Australia, Sweden and the United Kingdom are effective from 1 January 2024, and for Hong Kong is effective from 1 January 2025.

9 Dividends

Ordinary dividends to shareholders of the Company are as follows:

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Ordinary dividends attributable to the period		
– Interim ordinary dividend declared after the end of the reporting period of HK\$0.42 (2024: HK\$0.42) per share	2,614	2,614
Ordinary dividends attributable to the previous year		
– Final ordinary dividend of HK\$0.89 (2024: HK\$0.89 per share attributable to year 2023) per share approved and paid (2024: approved and payable) during the reporting period	5,541	5,533

The 2025 interim ordinary dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

10 Earnings Per Share

A Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2025 of HK\$7,709 million (2024: HK\$6,044 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme, which is calculated as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Issued ordinary shares at 1 January and 30 June	6,224,823,171	6,217,197,282
Less: Shares held for Executive Share Incentive Scheme	(9,837,631)	(6,299,128)
Weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the six months ended 30 June	6,214,985,540	6,210,898,154

10 Earnings Per Share *(continued)*

B Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2025 of HK\$7,709 million (2024: HK\$6,044 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme after adjusting for the dilutive effect of the Company's Executive Share Incentive Scheme, which is calculated as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the six months ended 30 June	6,214,985,540	6,210,898,154
Effect of shares awarded under Executive Share Incentive Scheme	10,235,274	7,827,319
Weighted average number of ordinary shares (diluted) during the six months ended 30 June	6,225,220,814	6,218,725,473

C Both basic and diluted earnings per share would have been HK\$1.44 (2024: HK\$0.93) if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK\$8,933 million (2024: HK\$5,764 million).

11 Other Comprehensive (Loss)/Income

A Tax effects relating to each component of other comprehensive (loss)/income of the Group are shown below:

in HK\$ million	Six months ended 30 June 2025			Six months ended 30 June 2024		
	Before-tax amount	Tax credit	Net-of-tax amount	Before-tax amount	Tax credit/ (expenses)	Net-of-tax amount
Exchange differences on translation of:						
– Financial statements of subsidiaries, associates and joint ventures outside Hong Kong	728	–	728	(478)	–	(478)
– Non-controlling interests	25	–	25	(7)	–	(7)
	753	–	753	(485)	–	(485)
Loss on revaluation of self-occupied buildings (note 12B)	(162)	26	(136)	(71)	12	(59)
Net movement in hedging reserve (note 11B)	(1,631)	269	(1,362)	188	(33)	155
Other comprehensive (loss)/income	(1,040)	295	(745)	(368)	(21)	(389)

B The components of net movement in hedging reserve are as follows:

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	(511)	68
Changes in fair value of cost of hedging	(83)	–
Amounts transferred to profit or loss during the period:		
– Interest and finance charges (note 7)	(581)	111
– Other expenses	14	9
Deferred tax	191	(33)
	(970)	155
Fair value hedges:		
Changes in fair value of cost of hedging	(470)	–
Deferred tax	78	–
	(392)	–
	(1,362)	155

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12 Investment Properties and Other Property, Plant and Equipment

A Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were remeasured at the reporting date by independent firms of surveyors, Colliers International (Hong Kong) Limited and Cushman & Wakefield Limited respectively. The valuations are based on the income capitalisation approach. Under this approach, the market value is derived from the capitalisation of the rental revenue to be received under existing tenancies and the estimated full market rental value to be received upon expiry of the existing tenancies with reference to the market rental levels prevailing as at the date of valuation by an appropriate single market yield rate.

Movements of the Group's investment properties, all of which being held in Hong Kong and Mainland China and carried at fair value, are as follows:

in HK\$ million	Six months ended 30 June 2025 (Unaudited)	Year ended 31 December 2024 (Audited)
At 1 January	96,322	98,205
Additions	120	2,053
Disposal of a subsidiary (note 2)	–	(93)
Fair value remeasurement on investment properties (note 5)	(2,702)	(3,821)
Exchange differences	40	(22)
At 30 June/31 December	93,780	96,322

Investment properties are remeasured semi-annually and future market condition changes may result in further gains or losses to be recognised through consolidated statement of profit or loss in subsequent periods.

B Other Property, Plant and Equipment

(i) Acquisitions of Owned Assets

During the six months ended 30 June 2025, the Group acquired assets (other than right-of-use assets) at a total cost of HK\$3,266 million before offset by government grant (2024: HK\$3,265 million).

(ii) Valuation

All of the Group's self-occupied buildings are held in Hong Kong and carried at fair value. All self-occupied buildings were revalued by using primarily the direct comparison approach assuming sale of properties in their existing state with vacant possession at the reporting date by an independent firm of surveyors, Colliers International (Hong Kong) Limited. The valuation resulted in a revaluation loss of HK\$162 million (2024: HK\$71 million) and related deferred tax credit of HK\$26 million (2024: HK\$12 million), which has been recognised in other comprehensive income (note 11A) and accumulated in the fixed assets revaluation reserve account.

C Right-of-use Assets

During the six months ended 30 June 2025, additions to right-of-use assets were HK\$211 million (2024: HK\$369 million). This amount primarily related to additions of leasehold investment properties of HK\$110 million (note 12A) (2024: HK\$289 million) and office building and depot leased of HK\$91 million (2024: HK\$22 million).

13 Service Concession Assets

A During the six months ended 30 June 2025, the Group incurred HK\$1,136 million (2024: HK\$1,007 million) of expenditure for the replacement and upgrade of the Kowloon-Canton Railway Corporation ("KCRC") system ("Additional Concession Property") under the service concession arrangement in the Rail Merger, HK\$57 million (2024: HK\$50 million) and HK\$101 million (2024: HK\$50 million) of expenditure for the replacement and upgrade of the concession property of the High Speed Rail ("Additional Concession Property (High Speed Rail)") and the Shatin to Central Link ("Additional Concession Property (SCL)") respectively under the supplemental service concession arrangements with KCRC, as well as HK\$55 million (2024: HK\$292 million) of expenditure for asset additions in respect of Shenzhen Metro Line 13 Phase 1 project.

13 Service Concession Assets *(continued)*

B SZL4 forms part of the Shenzhen Metro, which is operated by a wholly owned subsidiary, MTR Corporation (Shenzhen) Limited ("MTRSZ"). 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 2025, there has been no increase in SZL4's fare since MTRSZ started operating the line in 2010 whilst the operating costs continue to rise. As disclosed in previous years, if a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

At 30 June 2022, as it was 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 and an impairment provision of HK\$962 million was recognised for the SZL4 service concession assets in the consolidated statement of profit or loss for the six months ended 30 June 2022.

Based on the review performed by the Group as at 30 June 2025 and 31 December 2024, no further impairment loss was recognised as at 30 June 2025 and 31 December 2024.

14 Railway Construction Projects under Entrustment by the HKSAR Government

A Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("High Speed Rail" or "HSR") Project

(a) Entrustment Agreements

The HKSAR Government and the Company entered into the HSR Preliminary Entrustment Agreement in 2008, and the HSR Entrustment Agreement in 2010 (together, the "**Entrustment Agreements**"), in relation to the HSR.

Pursuant to the HSR Preliminary Entrustment Agreement, the HKSAR Government is obligated to pay the Company the Company's in-house design costs and certain on-costs, preliminary costs and staff costs.

Pursuant to the HSR Entrustment Agreement, the Company is responsible for carrying out or procuring the carrying out of the agreed activities for the planning, design, construction, testing and commissioning of the HSR and the HKSAR Government, as owner of HSR, is responsible for bearing and financing the full amount of the total cost of such activities (the "**Entrustment Cost**") and for paying to the Company a fee in accordance with an agreed payment schedule (the "**HSR Project Management Fee**") (subsequent amendments to these arrangements are described below).

The HKSAR Government has the right to claim against the Company if the Company breaches the HSR Entrustment Agreement (including, if the Company breaches the warranties it gave in respect of its project management services) and, under the HSR Entrustment Agreement, to be indemnified by the Company in relation to losses suffered by the HKSAR Government as a result of any negligence of the Company in performing its obligations under the HSR Entrustment Agreement or any breach of the HSR Entrustment Agreement by the Company. Under the HSR Entrustment Agreement, the Company's total aggregate liability to the HKSAR Government arising out of or in connection with the Entrustment Agreements (other than for death or personal injury) is subject to a cap equal to the total of HSR Project Management Fee and any other fees that the Company receives under the HSR Entrustment Agreement and certain fees received by the Company under the HSR Preliminary Entrustment Agreement (the "**Liability Cap**"). In accordance with general principles of law, such Liability Cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has reserved the right to refer to arbitration the question of the Company's liability for the Current Cost Overrun (as defined hereunder) (if any) under the HSR Preliminary Entrustment Agreement and the HSR Entrustment Agreement (as more particularly described in note 14A(b)(v) below), up to the date of this interim financial report, no formal claim has been received from the HKSAR Government. In 2024, the HKSAR Government informed the Company of a number of areas of interest to it arising out of the Company's performance under the HSR Entrustment Agreements ("**Areas of Interest**") for which the HKSAR Government was seeking further information and explanations from the Company. Subsequently, in late 2024, the HKSAR Government invited the Company to take part in a series of Senior Executive Meetings as a forum to discuss and endeavour to settle issues between the parties in connection with the HSR project (as was contemplated under a protocol entered into between the parties in December 2021 (the "**Protocol**")). The first such meeting was held on 13 December 2024, at which the HKSAR Government issued a "Position Paper" to the Company for the purpose of commencing discussions in accordance with the Protocol. The Company delivered its response in April 2025 and discussions with the HKSAR Government are ongoing.

(b) HSR Agreement

In 2015, as a result of the HSR programme being extended to the third quarter of 2018 and the Company and the HKSAR Government reaching agreement for revising the estimate project cost to HK\$84.42 billion (the "**Revised Cost Estimate**"), the HKSAR Government and the Company entered into an agreement (the "**HSR Agreement**") relating to the further funding and completion of the HSR (and which made certain changes to the HSR Entrustment Agreement) which was subsequently approved by the Company's independent shareholders at an extraordinary general meeting, and the Legislative Council approved the HKSAR Government's additional funding obligations, during 2016. Pursuant to the HSR Agreement:

- (i) The HKSAR Government will bear and finance the project cost up to HK\$84.42 billion, which includes an increase in the project cost by the amount of HK\$19.42 billion being the "**Current Cost Overrun**";

14 Railway Construction Projects under Entrustment by the HKSAR Government *(continued)*

A Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“High Speed Rail” or “HSR”) Project *(continued)*

- (ii) The Company will, if the project cost exceeds HK\$84.42 billion, bear and finance the portion of the project cost which exceeds that sum (if any) (the **“Further Cost Overrun”**) except for certain agreed excluded costs (namely, additional costs arising from changes in law, force majeure events or any suspension of construction contracts specified in the HSR Agreement);
- (iii) The Company would pay a special dividend in cash of HK\$4.40 in aggregate per share in two tranches in 2016 and 2017;
- (iv) The HSR Project Management Fee increases from HK\$4.59 billion to HK\$6.34 billion. Consequently, the Liability Cap increases from up to HK\$4.94 billion to up to HK\$6.69 billion; and
- (v) The HKSAR Government reserves the right to refer to arbitration the question of the Company’s liability for the Current Cost Overrun (if any) under the Entrustment Agreements (including any question the HKSAR Government may have regarding the validity of the Liability Cap). The Entrustment Agreements contain dispute resolution mechanisms which include the right to refer a dispute to arbitration. If the arbitrator does not determine that the Liability Cap is invalid and determines that, but for the Liability Cap, the Company’s liability under the Entrustment Agreements for the Current Cost Overrun would exceed the Liability Cap, the Company shall:
- bear such amount as is awarded to the HKSAR Government up to the Liability Cap;
 - seek the approval of its independent shareholders, at another General Meeting (at which the FSI, the HKSAR Government and their Close Associates and Associates and the Exchange Fund will be required to abstain from voting), for the Company to bear the excess liability; and
 - if the approval of the independent shareholders (referred to immediately above) is obtained, pay the excess liability to the HKSAR Government. If such approval is not obtained, the Company will not make such payment to the HKSAR Government.
- (c) As at 30 June 2025, the Company has not made any provision in its interim financial report in respect of:
- (i) any possible liability of the Company for any Further Cost Overrun (if any), given the Company does not currently believe based on information available to date there is any need to revise further the Revised Cost Estimate;
- (ii) any possible liability of the Company that may be determined in accordance with any arbitration that may take place (as more particularly described in note 14A(b)(v) above), given that (a) the Company has not received any notification from the HKSAR Government of any formal claim by the HKSAR Government against the Company or of any referral by the HKSAR Government to arbitration as of 30 June 2025 and up to the date of this interim financial report and the eventual outcome of any dialogue between the Company and the HKSAR Government on the Areas of Interest remains highly uncertain at the current stage; (b) the Company has the benefit of the Liability Cap; and (c) as a result of the HSR Agreement, the Company will not make any payment to the HKSAR Government in excess of the Liability Cap pursuant to a determination of the arbitrator without the approval of its independent shareholders; and where applicable, because the Company is not able to measure with sufficient reliability the amount of the Company’s obligation or liability (if any).

B Shatin to Central Link (“SCL”) Project

(a) SCL Agreements

The Company and the HKSAR Government entered into the SCL Preliminary Entrustment Agreement (**“SCL EA1”**) in 2008, the SCL Advance Works Entrustment Agreement (**“SCL EA2”**) in 2011, and the SCL Entrustment Agreement (**“SCL EA3”**) in 2012 (together, the **“SCL Agreements”**), in relation to the SCL.

Pursuant to the SCL EA1, the Company is responsible for carrying out or procuring the carrying out of the design, site investigation and procurement activities while the HKSAR Government is responsible for funding directly the total cost of such activities.

Pursuant to the SCL EA2, the Company is responsible for carrying out or procuring the carrying out of the agreed works while the HKSAR Government is responsible for bearing and paying to the Company all the work costs (**“EA2 Advance Works Costs”**). The EA2 Advance Works Costs and the Interface Works Costs (as described below) are reimbursable by the HKSAR Government to the Company. During the six months ended 30 June 2025, HK\$9 million (2024: HK\$31 million) of such costs were incurred by the Company, which are payable by the HKSAR Government. As at 30 June 2025, the amount of such costs which remained outstanding from the HKSAR Government was HK\$162 million (31 December 2024: HK\$166 million).

The SCL EA3 was entered into in 2012 for the construction and commissioning of the SCL. The HKSAR Government is responsible for bearing all the work costs specified in the SCL EA3 including costs to contractors and costs to the Company (**“Interface Works Costs”**) (which the Company would pay upfront and recover from the HKSAR Government) except for certain costs of modification, upgrade or expansions of certain assets (including rolling stock, signalling, radio and main control systems) for which the Company is responsible under the existing service concession agreement with KCRC. The Company will contribute an amount in respect of the costs relating to such modifications, upgrades or expansions. This will predominantly be covered by the reduction in future maintenance capital expenditure which the Company would have otherwise incurred. The total sum entrusted to the Company by the HKSAR Government for the main construction works under the SCL EA3, including project management fee, was HK\$70,827 million (**“Original Entrusted Amount”**).

The Company is responsible for carrying out or procuring the carrying out of the works specified in the SCL Agreements for a project management fee of HK\$7,893 million (the **“Original PMC”**) which has been fully received by the Company and recognised in the consolidated statement of profit or loss in previous years.

14 Railway Construction Projects under Entrustment by the HKSAR Government *(continued)*

B Shatin to Central Link ("SCL") Project *(continued)*

(b) SCL EA3 Cost Overrun

(i) Cost to Complete

The Company has previously announced that, due to the continuing challenges posed by external factors, including issues such as delays due to the discovery of archaeological relics, the HKSAR Government's requests for additional scope and late or incomplete handover of construction sites, the Original Entrusted Amount under SCL EA3 would not be sufficient to cover the total estimated cost to complete ("**CTC**") and would need to be revised upwards significantly. After carrying out detailed reviews of the estimated CTC for the main construction works, on 10 February 2020, the Company submitted a revised estimated total CTC of HK\$82,999 million ("**2020 CTC Estimate**"), including additional project management fee payable to the Company of HK\$1,371 million ("**Additional PMC**"), being the additional cost to the Company of carrying out its remaining project management responsibilities under the SCL EA3, as detailed in note 14B(b)(ii) below but excluding the Hung Hom Incidents Related Costs in respect of which the Company had already recognised a provision of HK\$2 billion in its consolidated statement of profit or loss for the year ended 31 December 2019 (as detailed in note 14B(c)(ii) below). The 2020 CTC Estimate represents an increase of HK\$12,172 million from the Original Entrusted Amount of HK\$70,827 million.

The HKSAR Government obtained the approval from Legislative Council on 12 June 2020 for additional funding required for the SCL Project amounting to HK\$10,801 million ("**Additional Funding**") so that the SCL can be completed.

(ii) Provision for Additional PMC

As detailed in note 14B(b)(i) above and as previously disclosed by the Company, the programme for the delivery of the SCL Project has been significantly impacted by certain key external events. Not only do these matters increase the cost of works, they also increase the cost to the Company of carrying out its project management responsibilities under the relevant SCL entrustment agreement, which is estimated to be around HK\$1,371 million.

The Additional Funding approved by the Legislative Council did not include any Additional PMC for the Company which the Company had previously sought from the HKSAR Government. Therefore, the cost to the Company of continuing to comply with its project management obligations under the SCL EA3 (which the Company has continued and will continue to comply with) is currently being met by the Company on an interim and without prejudice basis (to allow the SCL Project to progress in accordance with the latest programme) and the Company reserves its position as to the ultimate liability for such costs and as to its right to pursue the courses of action and remedies available under the SCL EA3.

After taking into account the matters described above, and in particular, the Company meeting, on an interim and without prejudice basis (on the basis outlined above), the cost to the Company of continuing to comply with its project management obligations, the Group recognised a provision of HK\$1,371 million in its consolidated statement of profit or loss for the year ended 31 December 2020 for the estimated additional cost to the Company of continuing to comply with its project management responsibilities. During the six months ended 30 June 2025, the provision utilised amounted to HK\$36 million (2024: HK\$59 million) and no provision was written back (2024: HK\$nil). As at 30 June 2025, the provision of HK\$160 million (31 December 2024: HK\$196 million), net of amount utilised, is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

This amount does not take into account any potential payment to the Company of any Additional PMC (whether as a result of an award, settlement or otherwise). Accordingly, if any such potential payment becomes virtually certain, the amount of any such payment will be recognised and credited to the Company's consolidated statement of profit or loss in that financial period.

(c) Hung Hom Incidents

As stated in the Company's announcement dated 18 July 2019, there were allegations in 2018 concerning workmanship in relation to the Hung Hom Station extension ("**First Hung Hom Incident**"). The Company took immediate steps to investigate the issues, report the Company's findings to the HKSAR Government and reserve the Company's position against relevant contractors.

In late 2018 and early 2019, the Company advised the HKSAR Government of an insufficiency of construction records and certain construction issues at the Hung Hom North Approach Tunnel ("**NAT**"), the South Approach Tunnel ("**SAT**") and the Hung Hom Stabling Sidings ("**HHS**"), forming an addition to the First Hung Hom Incident ("**Second Hung Hom Incident**").

(i) Commission of Inquiry ("**COI**")

On 10 July 2018, the COI was set up by the HKSAR Chief Executive in Council pursuant to the Commissions of Inquiry Ordinance (Chapter 86 of the Laws of Hong Kong). On 29 January 2019, the HKSAR Government made its closing submission to the first phase of the COI in which it stated its view that the Company ought to have provided the required skills and care reasonably expected of a professional and competent project manager but that the Company had failed to do so.

On 26 March 2019, the HKSAR Government published the redacted interim report of the COI in which the COI found that although the Hung Hom Station extension diaphragm wall and platform slab construction works are safe, they were not executed in accordance with the relevant contract in material aspects.

On 18 July 2019, the Company submitted to the HKSAR Government two separate final reports, one in respect of the First Hung Hom Incident and one in respect of the Second Hung Hom Incident, containing, inter alia, proposals for suitable measures required at certain locations to achieve code compliance. These suitable measures have been implemented.

14 Railway Construction Projects under Entrustment by the HKSAR Government *(continued)*

B Shatin to Central Link ("SCL") Project *(continued)*

On 22 January 2020, the HKSAR Government reiterated, in its closing submissions to the COI, that there was failure on the part of both the Company and the contractor Leighton Contractors Asia Limited to perform the obligations which the two parties undertook for the SCL project and that the Company, which was entrusted by the HKSAR Government as the project manager of the SCL project, ought to have provided the requisite degree of skill and care reasonably expected of a professional and competent project manager.

On 12 May 2020, the HKSAR Government published the final report of the COI in which the COI determined that it is fully satisfied that, with the suitable measures in place, the station box, NAT, SAT and HHS structures will be safe and also fit for purpose. The suitable measures for these structures were completed in 2020. The COI also made a number of comments on the construction process (including regarding failures in respect thereof such as unacceptable incidents of poor workmanship compounded by lax supervision and that in a number of respects also, management of the construction endeavour fell below the standards of reasonable competence) and made recommendations to the Company for the future.

(ii) Provision for the Hung Hom Incidents Related Costs

In order to progress the SCL Project and to facilitate the phased opening of the Tuen Ma Line in the first quarter of 2020, the Company announced in July 2019 that it would fund, on an interim and without prejudice basis, certain costs arising from the Hung Hom Incidents and certain costs associated with phased opening (being costs for alteration works, trial operations and other costs associated with the preparation activities for the phased opening) ("**Hung Hom Incidents Related Costs**"), whilst reserving the Company's position as to the ultimate liability for such costs.

The Company and the HKSAR Government will continue discussions with a view to reaching an overall settlement in relation to the Hung Hom Incidents and their respective funding obligations relating to the CTC and the Hung Hom Incidents Related Costs. If no overall settlement is reached between the Company and the HKSAR Government within a reasonable period, the provisions of the SCL EA3 shall continue to apply (as they currently do) including in relation to such costs, and the responsibility for the funding of such costs shall be determined in accordance with the SCL EA3.

After taking into account the matters described in note 14B(c) above, and in particular, the Company's decision to fund, on an interim and without prejudice basis, the Hung Hom Incidents Related Costs, the Company recognised a provision of HK\$2,000 million in its consolidated statement of profit or loss for the year ended 31 December 2019. During the six months ended 30 June 2025, the provision utilised amounted to HK\$10 million (2024: HK\$1 million) and no provision was written back (2024: HK\$nil). As at 30 June 2025, the provision of HK\$721 million (31 December 2024: HK\$731 million), net of amount utilised, is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

This amount does not take into account any potential recovery from any other party (whether in the circumstances that no overall settlement is reached and/or as a result of an award, settlement or otherwise). Accordingly, if any such potential recovery becomes virtually certain, the amount of any such recovery will be recognised and credited to the Company's consolidated statement of profit or loss in that financial period.

(d) Potential Claims from and Indemnification to the HKSAR Government

The HKSAR Government has the right to claim against the Company if the Company breaches the SCL Agreements (including, if the Company breaches the warranties it gave in respect of its project management services) and, under each SCL Agreement, to be indemnified by the Company in relation to losses incurred by the HKSAR Government as a result of the negligence of the Company in performing its obligations under the relevant SCL Agreement or breach thereof by the Company. Under the SCL EA3, the Company's total aggregate liability to the HKSAR Government arising out of or in connection with the SCL Agreements (other than for death or personal injury) is subject to a cap equal to the fees that the Company receives under the SCL Agreements. In accordance with general principles of law, such cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has stated that it reserves all rights to pursue further actions against the Company and related contractors and has made the statements in its closing submission to the COI (as stated in note 14B(c)(i) above), up to the date of this interim financial report, no claim has been received from the HKSAR Government in relation to any SCL Agreement. It is uncertain as to whether such claim will be made against the Company in the future and, if made, the nature and amount of such claim.

The eventual outcome of the discussions between the Company and the HKSAR Government on various matters remain highly uncertain at the current stage. As a result, no additional provision other than as stated above has been made as the Company is currently not able to measure with sufficient reliability the ultimate amount of the Company's obligation or liability arising from the SCL Project as a whole in light of the significant uncertainties involved. While no provision in respect of the SCL Project related matters was recognised at 30 June 2025 other than as stated above, the Company will reassess on an ongoing basis the need to recognise any further provision in the future in light of any further development.

15 Railway Construction in Progress

Movements of railway construction in progress of the Group during the six months ended 30 June 2025 and the year ended 31 December 2024 are as follows:

in HK\$ million	Balance at 1 January	Additions [^]	Utilisation of government grant	Balance at 30 June/ 31 December
At 30 June 2025 (Unaudited)				
Oyster Bay Station	–	238	(238)	–
Tung Chung Line Extension	5,243	1,692	(337)	6,598
Tuen Mun South Extension	2,692	1,192	–	3,884
Kwu Tung Station*	2,879	1,082	–	3,961
Hung Shui Kiu Station	561	283	–	844
	11,375	4,487	(575)	15,287
At 31 December 2024 (Audited)				
Oyster Bay Station	–	315	(315)	–
Tung Chung Line Extension	1,911	3,332	–	5,243
Tuen Mun South Extension	826	1,866	–	2,692
Kwu Tung Station*	1,519	1,360	–	2,879
Hung Shui Kiu Station	–	561	–	561
	4,256	7,434	(315)	11,375

[^] The additions represent capital expenditure incurred and transferred from deferred expenditure.

* According to the project agreement of Kwu Tung Station signed on 5 September 2023 with the HKSAR Government, the Kwu Tung Station project works include, inter alia, (i) the construction of the Kwu Tung Station, and (ii) the detailed planning and design, and the advance works of the Northern Link (main line).

The Oyster Bay Station project is targeted to complete in 2030. Total capital cost for the Oyster Bay Station project based on the defined scope of works and programme is estimated at HK\$6.7 billion (excluding finance costs). As at 30 June 2025, the Company has incurred cumulative expenditure of HK\$783 million (31 December 2024: HK\$556 million) (excluding finance costs), which was wholly offset by the government grant, and has authorised outstanding commitments totalling HK\$5.9 billion in relation to the Oyster Bay Station project which are included in “Capital Commitments” (note 30A).

The Tung Chung Line Extension project is targeted to complete in 2029. Total capital cost for Tung Chung Line Extension project based on the defined scope of works and programme is estimated at HK\$24.2 billion (excluding finance costs). As at 30 June 2025, the Company has incurred cumulative expenditure of HK\$6.7 billion (31 December 2024: HK\$5.1 billion) (excluding finance costs) and has authorised outstanding commitments totalling HK\$17.5 billion in relation to the Tung Chung Line Extension project which are included in “Capital Commitments” (note 30A).

The Tuen Mun South Extension project is targeted to complete in 2030. Total capital cost for Tuen Mun South Extension project based on the defined scope of works and programme is estimated at HK\$18.2 billion (excluding finance costs). As at 30 June 2025, the Company has incurred cumulative expenditure of HK\$3.8 billion (31 December 2024: HK\$2.6 billion) (excluding finance costs) and has authorised outstanding commitments totalling HK\$14.4 billion in relation to the Tuen Mun South Extension project which are included in “Capital Commitments” (note 30A).

The Kwu Tung Station and advance works of the Northern Link (main line), and detailed planning and design of the Northern Link (main line) are targeted to complete in 2027 and 2034 respectively. Total capital cost for Kwu Tung Station project based on the defined scope of works and programme (including the detailed planning and design, and the advance works of the Northern Link (main line)) is estimated at HK\$10.8 billion (excluding finance costs). As at 30 June 2025, the Company has incurred cumulative expenditure of HK\$3.8 billion (31 December 2024: HK\$2.8 billion) (excluding finance costs) and has authorised outstanding commitments totalling HK\$7.0 billion in relation to the Kwu Tung Station project which are included in “Capital Commitments” (note 30A).

The Hung Shui Kiu Station project is targeted to complete in 2030. Total capital cost for Hung Shui Kiu Station project based on the defined scope of works and programme is estimated at HK\$8.3 billion (excluding finance costs). As at 30 June 2025, the Company has incurred cumulative expenditure of HK\$829 million (31 December 2024: HK\$557 million) (excluding finance costs) and has authorised outstanding commitments totalling HK\$7.5 billion in relation to the Hung Shui Kiu Station project which are included in “Capital Commitments” (note 30A).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

16 Property Development in Progress

Movements of property development in progress of the Group during the six months ended 30 June 2025 and the year ended 31 December 2024 are as follows:

in HK\$ million	Balance at 1 January	Net additions*	Transfer out to profit or loss	Balance at 30 June/ 31 December
At 30 June 2025 (Unaudited)				
Hong Kong Property Development Projects	42,300	328	–	42,628
At 31 December 2024 (Audited)				
Hong Kong Property Development Projects	41,728	572	–	42,300

* The net additions represent expenditure incurred for Hong Kong property development projects, including the amount of land premium, capital expenditure and development costs transferred from deferred expenditure, and be offset by payments or distributions of the assets received from developers and utilisation of government grant (if any).

17 Deferred Expenditure

As at 30 June 2025, deferred expenditure included costs of HK\$67 million (31 December 2024: HK\$64 million) mainly incurred for certain railway projects which the project agreements are yet to be reached with the HKSAR Government. The future development of the respective projects is expected to bring future economic benefits to the Group. In the event that in a future period it is no longer considered probable that the corresponding project agreements can be reached, and the costs concerned are no longer considered as recoverable, the costs concerned will be charged to the consolidated statement of profit or loss in that reporting period.

18 Interests in Associates and Joint Ventures

Hangzhou MTR Corporation Limited ("HZMTR"), a 49% owned associate of the Group, operates Hangzhou Metro Line 1 ("HZL1"), the HZL1 Xiasha Extension and HZL1 Airport Extension. As previously mentioned, HZMTR has been loss making in recent years due to slow patronage growth 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.

19 Properties Held for Sale

in HK\$ million	At 30 June 2025 (Unaudited)	At 31 December 2024 (Audited)
Properties held for sale		
– at cost	913	924
– at net realisable value	1,118	1,498
	2,031	2,422
Representing:		
Hong Kong property development	2,025	2,410
Mainland China property development	6	12
	2,031	2,422

Properties held for sale represent the Group's interest in unsold properties or properties received by the Group as sharing-in-kind in Hong Kong, and the Group's unsold properties in Mainland China.

For Hong Kong property development, the net realisable values as at 30 June 2025 and 31 December 2024 were determined by reference to an open market valuation of the properties as at those dates, undertaken by an independent firm of surveyors, Colliers International (Hong Kong) Limited, who have among their staff Members of the Hong Kong Institute of Surveyors.

Properties held for sale at net realisable value of the Group as at 30 June 2025 are stated net of provision of HK\$133 million (31 December 2024: HK\$139 million) made in order to state these properties at the lower of their cost and estimated net realisable value.

20 Derivative Financial Assets and Liabilities

The notional amounts and fair values of derivative financial assets and liabilities are as follows:

in HK\$ million	At 30 June 2025 (Unaudited)		At 31 December 2024 (Audited)	
	Notional amount	Fair value	Notional amount	Fair value
Derivative Financial Assets				
Foreign exchange forwards				
– cash flow hedges	1,581	105	88	2
– not adopting hedge accounting	627	44	31	1
Cross currency swaps				
– fair value hedges	10,319	508	7,990	79
– cash flow hedges	11,266	116	1,418	13
Interest rate swaps				
– fair value hedges	29,626	716	15,648	85
– cash flow hedges	–	–	12,855	125
– not adopting hedge accounting	300	22	299	37
	53,719	1,511	38,329	342
Derivative Financial Liabilities				
Foreign exchange forwards				
– cash flow hedges	217	(7)	2,032	(129)
– not adopting hedge accounting	165	(6)	869	(54)
Cross currency swaps				
– fair value hedges	3,361	(151)	8,903	(383)
– cash flow hedges	33,785	(1,330)	24,459	(1,317)
Interest rate swaps				
– fair value hedges	2,101	(31)	6,271	(73)
– cash flow hedges	19,801	(1,011)	6,646	(27)
– not adopting hedge accounting	300	(18)	300	(31)
	59,730	(2,554)	49,480	(2,014)
Total	113,449		87,809	

21 Debtors and Other Receivables

The Group's credit policies in respect of receivables arising from its principal activities are as follows:

- (i) The majority of fare revenue from Hong Kong transport operations (except for that from the High Speed Rail as described in note 21(ii) below) is collected through Octopus Cards, QR code and contactless bank cards with daily settlement on the next working day or in cash for other ticket types. A small portion of it is collected through pre-sale agents which settle the amounts due within 30 days.
- (ii) In respect of the High Speed Rail, tickets are sold by the Company and other Mainland train operators. The clearance centre of China Railway Corporation administers the revenue allocation and settlement system of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and allocates the revenue of the High Speed Rail to the Company under a "section-based" approach with settlement in the following month.
- (iii) Fare revenue from SZL4 is collected through Shenzhen Tong Cards, QR code, contactless bank cards, and in cash for other ticket types. The clearing centre administers the revenue allocation and settlement system of Shenzhen railway network and allocates the revenue to the respective lines under "distance-based" approach with settlement in the transaction month.
- (iv) Franchise revenue in Australia is collected either daily or monthly depending on the revenue nature. The majority of the franchise revenue from operations in Sweden is collected in the transaction month with the remainder being collected in the following month. Concession revenue for London Elizabeth Line is collected once every 4 weeks.
- (v) Rentals, advertising and telecommunication service fees are billed monthly with due dates ranging from immediately due to 60 days. Tenants of the Group's investment properties and station kiosks are generally required to pay three to six months' rental deposit upon the signing of lease agreements.
- (vi) Amounts receivable under interest rate and currency swap agreements with financial institutions are due in accordance with the terms of the respective agreements.
- (vii) Consultancy service income is billed monthly for settlement within 30 days upon work completion or on other basis stipulated in the consultancy contracts.
- (viii) Debtors in relation to contracts and capital works entrusted to the Group, subject to any agreed retentions, are due within 30 days upon the certification of work in progress.
- (ix) Amounts receivable in respect of property development are due in accordance with the terms of relevant development agreements or sale and purchase agreements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

21 Debtors and Other Receivables *(continued)*

The ageing analysis of debtors by due dates is as follows:

in HK\$ million	At 30 June 2025 (Unaudited)	At 31 December 2024 (Audited)
Amounts not yet due	4,117	8,181
Overdue by within 30 days	162	177
Overdue by more than 30 days but within 60 days	60	55
Overdue by more than 60 days but within 90 days	34	18
Overdue by more than 90 days	164	121
Total debtors	4,537	8,552
Other receivables and contract assets	6,969	7,228
	11,506	15,780

Included in other receivables as at 30 June 2025 was HK\$575 million (31 December 2024: HK\$1,598 million) in respect of property development profit in Hong Kong distributable from stakeholding funds and receivables from property purchasers based on the terms of the development agreements and sales and purchase agreements. In addition, the Company purchased the tax reserve certificates of Hong Kong Profits Tax in respect of certain payments relating to the Rail Merger. Details are set out in note 8B to this interim financial report.

22 Material Related Party Transactions

The Financial Secretary Incorporated, which holds approximately 74.45% of the Company's issued share capital on trust for the HKSAR Government as at 30 June 2025, is the majority shareholder of the Company. Transactions between the Group and the HKSAR Government departments or agencies, or entities controlled by the HKSAR Government, other than those transactions such as the payment of fees, taxes, leases and rates, etc. that arise in the normal dealings between the HKSAR Government and the Group, are considered to be related party transactions pursuant to HKAS 24, *Related Party Disclosures*, and are identified separately in this interim financial report.

As at the end of the reporting period, amounts due from/to the HKSAR Government and other related parties in respect of material related party transactions with the Group are stated below:

in HK\$ million	At 30 June 2025 (Unaudited)	At 31 December 2024 (Audited)
Amounts due from:		
– HKSAR Government	953	906
– KCRC and Airport Authority Hong Kong ("AAHK")	5,442	4,788
– associates	533	504
	6,928	6,198
Amounts due to:		
– HKSAR Government	209	117
– KCRC	1,974	3,090
	2,183	3,207

As at 30 June 2025, the amount due from the HKSAR Government mainly related to the recoverable cost for the advanced works in relation to the Shatin to Central Link, reimbursable costs for the essential public infrastructure works in respect of the South Island Line, reimbursement of the fare revenue difference in relation to the "Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities", agency fee receivables and reimbursable costs in respect of West Rail property development, as well as receivables and retention for other entrustment and maintenance works.

The amount due to the HKSAR Government as at 30 June 2025 mainly related to the land administrative fees in relation to railway extensions.

As at 30 June 2025, the amount due from KCRC and AAHK mainly related to the revenue receivable in respect of (i) High Speed Rail and the Shatin to Central Link under relevant supplemental service concession agreements and (ii) the maintenance services provided to AAHK. The amount due to KCRC mainly related to the accrued portion of the fixed annual payment and variable annual payment arising from the Rail Merger and operating arrangements of the High Speed Rail and the Shatin to Central Link.

Major related party transactions entered into by the Group which are relevant for the current period include:

(i) Transactions entered into by the Group with the HKSAR Government in prior years and those with KCRC in respect of the Rail Merger and operating arrangements of the High Speed Rail and the Shatin to Central Link, the details were described in the Group's annual financial statements for the year ended 31 December 2024. During the six months ended 30 June 2025, amounts recoverable or invoiced by the Company under West Rail Agency Agreement is HK\$20 million (2024: HK\$25 million) and amount payable or paid by the Company under Service Concession Agreement is HK\$1,909 million (2024: HK\$1,809 million). During the six months ended 30 June 2025, net revenue received or receivable from KCRC in respect of the High Speed Rail and the Shatin to Central Link under relevant supplemental service concession agreements amounted to HK\$973 million (2024: HK\$1,185 million).

(ii) The Company entered into entrustment agreements with the HKSAR Government for the design, site investigation, procurement activities, construction, testing and commissioning of the High Speed Rail and the Shatin to Central Link. Detailed description of the agreements is provided in notes 14A and 14B. In addition, an amount of HK\$130 million was paid/payable to the HKSAR Government (net of amount received/receivable) during the six months ended 30 June 2025 (2024: HK\$97 million) under SCL EA3's payment arrangement with the HKSAR Government and relevant contractors.

22 Material Related Party Transactions *(continued)*

(iii) The Company entered into project agreements with the HKSAR Government for the financing, design, construction, completion, pre-operation, operation and maintenance of new railway extensions and the granting of development rights for commercial and residential property sites along these railway extensions. Pursuant to these project agreements, total amount of land premium payable by the Company in respect of these proposed property developments along these railway extensions shall be assessed by the Government as the full market value of the site (taking into account the presence of the railway) less the agreed reduction amounts for the purpose of bridging the funding gaps of these new railway extensions. These proposed property development sites will be developed in portions and the land premium assessment for each portion will be carried out, at the time of the relevant tender, with a specified tranche of the agreed reduction amount being deducted. Project agreements on these railway extensions that are still under construction in the current period include Tung Chung Line Extension, Kwu Tung Station, Tuen Mun South Extension and Hung Shui Kiu Station.

In connection with the property developments along the railway systems, on 3 January 2025, the Company accepted an offer dated 22 November 2024 from the HKSAR Government to proceed with the proposed Tung Chung East Station Package One Property Development at Site B of Tung Chung Town Lot No.53 on the terms and conditions of the relevant land grant. The land premium is assessed at HK\$337,299,000. After deduction therefrom of the reduction amount pursuant to the project agreement in respect of the Tung Chung Line Extension, nil net land premium was payable by the Company.

The details were described in the Group's annual financial statements for the year ended 31 December 2024.

(iv) On 8 July 2025, the Company entered into the project agreement with the HKSAR Government for the financing, design and construction of the Northern Link Project – Part 1 (the "NOL (Part 1) Project Agreement") for the first part of the Northern Link ("NOL"). The NOL (Part 1) Project Agreement did not contain obligations for the Company to operate and maintain any part of the Northern Link Main Line (the "NOL Main Line") or the Northern Link Spur Line (the "NOL Spur Line"). It is intended that the Company and the HKSAR Government would enter into discussions on a further agreement (the "Further Agreement") to enable NOL as a whole to be delivered and commissioned. In the event that the Further Agreement is not entered into, the parties shall use reasonable endeavours to discuss and agree on the implementation of NOL Main Line including, but not limited to, necessary facilitation for giving to the HKSAR Government and the HKSAR Government's contractor(s) access to the Company's construction sites, works sites and works areas for carrying out works for the NOL Main Line so that the target of achieving commissioning of NOL Main Line not later than 2034 would not be jeopardised, and for the hand over of the design and construction of part of the NOL Main Line to the HKSAR Government.

The Northern Link Project – Part 1 is targeted to complete by the applicable scheduled completion dates so as to enable the commissioning of the NOL Main Line and NOL Spur Line not later than 2034. Total project cost for the Northern Link Project – Part 1 based on the defined scope of works and programme is estimated at HK\$38,872 million (excluding finance costs).

Pursuant to the NOL (Part 1) Project Agreement, total amount of land premium payable by the Company in respect of the proposed property development shall be assessed by the HKSAR Government as the full market value of the sites (taking into account the presence of the railway) less the total agreed reduction amount of HK\$39,050 million for the purpose of bridging the funding gap of the project works under the NOL (Part 1) Project Agreement. The proposed property development site will be developed on a site-by-site basis and the land premium assessment for each site will be carried out, at the time of the relevant tender, with a specified tranche of the agreed reduction amount being deducted.

Details of the NOL (Part 1) Project Agreement are disclosed in the Company's announcement dated 8 July 2025.

(v) Apart from these railway extensions, the Company also entered into the project agreement with the HKSAR Government for the financing, design, construction, pre-operation, operation and maintenance of the Oyster Bay Station and is still under construction during the current period. The details were described in the Group's annual financial statements for the year ended 31 December 2024.

(vi) On 18 May 2018, the Company, as sub-contractor, provided a sub-contractor warranty effective from 25 September 2017 to the AAHK as a result of the Company having entered into a subcontract ("Subcontract") from a third party for the modification works of the existing Automated People Mover system at the Hong Kong International Airport ("System") for an initial seven-year period, which was subsequently extended to mid-2026.

(vii) On 2 July 2020, the Company entered into a contract with the AAHK for the maintenance of the System for a seven-year period effective from 6 January 2021. In respect of the services provided, HK\$96 million was recognised as consultancy income during the six months ended 30 June 2025 (2024: HK\$101 million).

(viii) During the six months ended 30 June 2025, the Group had the following transactions with its associates, namely Octopus Holdings Limited and its subsidiaries ("Octopus Group") (in Hong Kong) and NRT Group Holdings Pty Ltd and its subsidiaries ("NRT Group") (in Australia):

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Octopus Group		
– Expenses paid or payable in respect of central clearing services provided by Octopus Group	70	69
– Fees received or receivable in respect of load agent, Octopus card issuance and refund services, computer equipment and relating services and warehouse storage space provided to Octopus Group	15	16
– Dividend received from Octopus Group	188	211
NRT Group		
– Fees received or receivable in respect of mobilisation, operations and maintenance as well as design, delivery and integration services provided to NRT Group	1,047	1,218

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23 Creditors, Other Payables and Provisions

The analysis of creditors by due dates is as follows:

in HK\$ million	At 30 June 2025 (Unaudited)	At 31 December 2024 (Audited)
Due within 30 days or on demand	8,537	9,212
Due after 30 days but within 60 days	2,595	2,850
Due after 60 days but within 90 days	1,140	1,166
Due after 90 days	5,330	4,761
	17,602	17,989
Rental and other refundable deposits	2,535	2,823
Accrued employee benefits	2,155	2,203
Total creditors and accrued charges	22,292	23,015
Other payables, deferred income and provisions	38,774	43,212
Contract liabilities	3,199	3,190
	64,265	69,417

Other payables included contract retentions. Deferred income related to (i) the surplus amounts of payments received from property developers in excess of the balance in property development in progress, (ii) portion of fair value amount of shopping mall received from property development in connection with the outstanding risks and obligations retained by the Group (note 5), as well as (iii) the unutilised government grant of HK\$27,182 million (31 December 2024: HK\$28,804 million).

24 Loans and Other Obligations

A Bonds and Notes Issued and Redeemed

Notes issued by the Group during the six months ended 30 June 2025 and 2024 comprise:

in HK\$ million	Six months ended 30 June 2025		Six months ended 30 June 2024	
	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	25,199	24,996	14,086	14,073

During the six months ended 30 June 2025, the Group issued US\$3,000 million (HK\$23,344 million) of listed debt securities (2024: HK\$1,700 million). The Group issued HK\$1,240 million and US\$79 million (HK\$615 million) of unlisted debt securities in the respective currency (2024: HK\$8,691 million, RMB1,555 million (HK\$1,669 million) and US\$259 million (HK\$2,026 million) in the respective currency).

During the six months ended 30 June 2025, the Group redeemed RMB345 million (HK\$399 million) of its listed debt securities (2024: RMB1,250 million (HK\$1,491 million)). The Group redeemed RMB400 million (HK\$456 million), HK\$7,777 million and US\$135 million (HK\$1,058 million) of its unlisted debt securities in the respective currency (2024: HK\$830 million).

As at 30 June 2025 and 31 December 2024, there were outstanding debt securities issued by a wholly-owned subsidiary, MTR Corporation (C.I.) Limited ("MTRCI"). The obligations of the debt securities issued by MTRCI are direct, unsecured and unsubordinated to the other unsecured obligations of MTRCI which are unconditionally and irrevocably guaranteed by the Company. The obligations of the Company under the guarantee are direct, unsecured, unconditional, and unsubordinated to other unsecured and unsubordinated obligations of the Company.

B As at 30 June 2025, MTR Corporation (Shenzhen) Limited has pledged the fare and non-fare revenue and the benefits of insurance contracts in relation to Phase 2 of Shenzhen Metro Line 4 as security for the RMB527 million (HK\$577 million) bank loan facility granted to it.

As at 30 June 2025, MTR CREC Metro (Shenzhen) Company Limited, a subsidiary of the Company in Mainland China, has pledged the fare and non-fare revenue in relation to Phase 1 of Shenzhen Metro Line 13 as security for the RMB3.2 billion (HK\$3.5 billion) bank loan facility granted to it.

Saved as disclosed above and those disclosed elsewhere in this interim financial report, none of the other assets of the Group was charged or subject to any encumbrance as at 30 June 2025.

25 Deferred Tax Assets and Liabilities

A The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the six months ended 30 June 2025 and the year ended 31 December 2024 are as follows:

in HK\$ million	Deferred tax arising from							Total
	Depreciation allowances in excess of related depreciation	Right-of-use assets	Lease liabilities	Revaluation of properties	Provision and other temporary differences	Derivative financial instruments	Tax losses	
Balance as at 1 January 2025	15,636	47	(55)	722	(628)	(49)	(28)	15,645
Charged/(credited) to profit or loss	46	(1)	3	–	27	–	1	76
Credited to other comprehensive income	–	–	–	(26)	–	(269)	–	(295)
Exchange differences	–	3	(3)	(1)	(23)	–	–	(24)
Balance as at 30 June 2025 (Unaudited)	15,682	49	(55)	695	(624)	(318)	(27)	15,402
Balance as at 1 January 2024	14,618	62	(106)	766	(655)	(102)	(35)	14,548
Charged/(credited) to profit or loss	1,018	(12)	14	–	(44)	–	7	983
(Credited)/charged to other comprehensive income	–	–	–	(25)	26	53	–	54
Disposal of subsidiaries (note 2)	–	–	32	(23)	–	–	–	9
Exchange differences	–	(3)	5	4	45	–	–	51
Balance as at 31 December 2024 (Audited)	15,636	47	(55)	722	(628)	(49)	(28)	15,645

B Deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

in HK\$ million	At 30 June 2025 (Unaudited)	At 31 December 2024 (Audited)
Net deferred tax assets	(546)	(521)
Net deferred tax liabilities	15,948	16,166
	15,402	15,645

26 Share Capital and Shares Held for Executive Share Incentive Scheme

A Share Capital

	Six months ended 30 June 2025 (Unaudited)		Year ended 31 December 2024 (Audited)	
	Number of shares	HK\$ million	Number of shares	HK\$ million
Ordinary shares, issued and fully paid:				
At 1 January	6,224,823,171	61,287	6,217,197,282	61,083
Shares issued in respect of scrip dividend of 2023 final ordinary dividend	–	–	7,625,889	202
Vesting of shares of Executive Share Incentive Scheme	–	–	–	2
At 30 June/31 December	6,224,823,171	61,287	6,224,823,171	61,287

In accordance with section 135 of the Companies Ordinance, the ordinary shares of the Company do not have a par value.

26 Share Capital and Shares Held for Executive Share Incentive Scheme *(continued)*

B Shares Held for Executive Share Incentive Scheme

During the six months ended 30 June 2025, the Company awarded Performance Shares and Restricted Shares under the Company's Executive Share Incentive Scheme to certain eligible employees of the Group. 33,100 Restricted Shares were awarded and accepted by the grantees on 1 April 2025, and a total of 288,350 Performance Shares and 4,272,250 Restricted Shares were awarded and accepted by the grantees on 8 April 2025 (2024: 492,823 Performance Shares were awarded and accepted by the grantees on 18 March 2024, and a total of 3,221,000 Performance Shares and 4,099,500 Restricted Shares were awarded and accepted by the grantees on 8 April 2024). The fair value of these awarded shares were HK\$25.65 per share on 1 April 2025 and HK\$24.40 per share on 8 April 2025 (2024: HK\$25.70 per share on 18 March 2024 and HK\$25.40 per share on 8 April 2024).

During the six months ended 30 June 2025, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the Hong Kong Stock Exchange a total of 4,341,500 Ordinary Shares (2024: 7,454,157 Ordinary Shares) of the Company for a total consideration of approximately HK\$113 million (2024: HK\$207 million).

During the six months ended 30 June 2025, 2,990,478 award shares (2024: 4,192,935 award shares) were transferred to the awardees under the Executive Share Incentive Scheme upon vesting. The total cost of the vested shares was HK\$104 million (2024: HK\$174 million). During the six months ended 30 June 2025, HK\$nil (2024: HK\$1 million) was credited to share capital in respect of vesting of shares whose fair values at the grant date were higher than the costs of the vested shares. During the six months ended 30 June 2025, 96,761 award shares (2024: 107,726 award shares) were lapsed/forfeited.

27 Perpetual Capital Securities

On 24 June 2025, MTR Corporation (C.I.) Limited ("MTRCI"), a wholly-owned subsidiary of the Company, issued subordinated perpetual capital securities ("Perpetual Securities") of US\$3,000 million (HK\$23,550 million) in aggregate at par in two equal tranches, which are unconditionally and irrevocably guaranteed by the Company.

The first tranche of Perpetual Securities, amounting to US\$1,500 million (HK\$11,775 million), is perpetual, redeemable at the option of MTRCI at the relevant times (including, in the case of the exercise of the par call option, on or after 24 September 2030) and entitles the holders to receive distributions at a distribution rate which is fixed at 4.875% per annum in the first 5.5 years, reset at year 5.5 and every 5 years thereafter, and with step up margins of 0.25% applied starting at year 10.5 and 1% applied starting at year 25.5.

The second tranche of Perpetual Securities, amounting to US\$1,500 million (HK\$11,775 million), is perpetual, redeemable at the option of MTRCI at the relevant times (including, in the case of the exercise of the par call option, on or after 24 September 2035) and entitles the holders to receive distributions at a distribution rate which is fixed at 5.625% per annum in the first 10.5 years, reset at year 10.5 and every 5 years thereafter, and with step up margins of 0.25% applied starting at year 10.5 and 1% applied starting at year 30.5.

The distributions on the Perpetual Securities are payable semi-annually in arrears. They can be deferred at MTRCI's discretion provided that MTRCI and the Company shall not, subject to certain exceptions, (a) declare or pay any dividends or distributions, or (b) redeem, reduce, cancel, buy-back or acquire for any consideration any of their obligations with ranking lower than or equal to the Perpetual Securities until the payment of such deferred distributions.

The Perpetual Securities issued were classified as equity in the consolidated financial statements of the Group. The proceeds of the Perpetual Securities are on lent to the Company and for general corporate purposes and the Perpetual Securities are listed on the Hong Kong Stock Exchange.

Details of the terms of the Perpetual Securities are disclosed in the Company's announcement dated 25 June 2025.

28 Fair Value Measurement

In accordance with HKFRS 13, *Fair Value Measurement*, the level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3: Fair value measured using significant unobservable inputs

A Fair Value Measurements of Fixed Assets

All of the Group's investment properties and self-occupied buildings measured at fair value on a recurring basis are categorised as Level 3 of the fair value hierarchy.

During the six months ended 30 June 2025 and the year ended 31 December 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in respect of the Group's investment properties and self-occupied buildings. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

28 Fair Value Measurement *(continued)*

B Fair Value Measurements of Financial Instruments

(i) Financial Assets and Liabilities Carried at Fair Value

Included in the Group's investments in securities as at 30 June 2025, there were HK\$233 million (31 December 2024: HK\$312 million) of listed debt securities carried at fair value using Level 1 measurements, HK\$1,000 million and US\$600 million (HK\$4,710 million) (31 December 2024: HK\$1,000 million) of investments in bank medium-term notes carried at fair value using Level 2 measurements and HK\$750 million (31 December 2024: HK\$640 million) of unlisted equity securities carried at fair value using Level 3 measurements.

The Group's derivative financial instruments were carried at fair value using Level 2 measurements. As at 30 June 2025, the fair values of derivative financial assets and derivative financial liabilities were HK\$1,511 million (31 December 2024: HK\$342 million) and HK\$2,554 million (31 December 2024: HK\$2,014 million) respectively.

The discounted cash flow method, which discounts the future contractual cash flows at the current market interest rates, is the main valuation technique used to determine the fair value of the Group's borrowings, derivative financial instruments and investment in bank medium-term notes. For interest rate swaps, cross currency swaps and foreign exchange forward contracts, the discount rates used were derived from the swap curves of the respective currencies and the cross currency basis curves of the respective currency pairs at the end of the reporting period. Closing exchange rates at the end of the reporting period were used to convert value in foreign currency to local currency.

The fair value of the Group's investments in unlisted equity securities is determined based on the adjusted net asset method. The significant unobservable input includes the fair value of the individual assets less liabilities (recognised and unrecognised). The fair value measurement is positively correlated to the fair value of the individual assets less liabilities (recognised and unrecognised). The movements of the investments in unlisted equity securities during the period are as follows:

in HK\$ million	Six months ended 30 June 2025 (Unaudited)	Year ended 31 December 2024 (Audited)
At 1 January	640	564
Additions	83	143
Disposal	(4)	–
Changes in fair value recognised in profit or loss	19	(54)
Exchange differences recognised in other comprehensive income	12	(13)
At 30 June/31 December	750	640

As at 30 June 2025, it is estimated that a 5-percent increase/decrease in fair value of the total individual assets less liabilities (recognised and unrecognised), with all other variables held constant, would increase/decrease the Group's profit after tax by approximately HK\$33 million/HK\$33 million (31 December 2024: HK\$27 million/HK\$27 million).

At the end of each interim and annual reporting period, valuations are performed for the financial instruments which are categorised into Level 3 of the fair value hierarchy, and the valuation assumptions and results are reviewed by the Group's management accordingly.

During the six months ended 30 June 2025 and the year ended 31 December 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Financial Assets and Liabilities Not Carried at Fair Value

The carrying amounts of the Group's financial assets and liabilities not carried at fair value are not materially different from their fair values as at 30 June 2025 and 31 December 2024 except for capital market instruments, for which their carrying amounts and fair values are disclosed below:

in HK\$ million	At 30 June 2025 (Unaudited)		At 31 December 2024 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Capital market instruments	87,957	90,239	70,112	67,367

The above fair value measurement is categorised as Level 2. The discount cash flow method, which discounts the future contractual cash flows at the current market interest rates, is the main valuation technique used to determine the fair value of the Group's capital market instruments. The discount rates used were derived from the swap curves of the respective currencies at the end of the reporting period. Closing exchange rates at the end of the reporting period were used to convert value in foreign currency to local currency.

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29 Cash Generated from Operations

Reconciliation of the Group's operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment arising from recurrent businesses to cash generated from operations is as follows:

in HK\$ million	Six months ended 30 June 2025	Six months ended 30 June 2024
Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment arising from recurrent businesses	8,834	9,114
Adjustments for non-cash items	63	157
Operating profit before working capital changes	8,897	9,271
Decrease/(increase) in debtors and other receivables	474	(898)
Increase in stores and spares	(544)	(128)
(Decrease)/increase in creditors, other payables and provisions	(1,389)	734
Cash generated from operations	7,438	8,979

30 Capital Commitments, Contingent Liabilities and Legal Proceedings

A Capital Commitments

(i) Outstanding capital commitments as at 30 June 2025 and 31 December 2024 not provided for in this interim financial report were as follows:

in HK\$ million	Hong Kong transport operations, station commercial and other businesses	Hong Kong railway extension projects (note a)	Hong Kong property rental and development	Mainland China and overseas operations (note b)	Total
At 30 June 2025 (Unaudited)					
Authorised but not yet contracted for	34,095	31,933	3,258	222	69,508
Authorised and contracted for	20,240	20,380	8,765	1,722	51,107
	54,335	52,313	12,023	1,944	120,615
At 31 December 2024 (Audited)					
Authorised but not yet contracted for	31,738	34,862	3,431	182	70,213
Authorised and contracted for	22,582	21,716	9,935	1,863	56,096
	54,320	56,578	13,366	2,045	126,309

Notes:

(a) As at 30 June 2025, capital commitments of Hong Kong railway extension projects included costs of HK\$52.3 billion in respect of which the project agreements have been signed. These costs are approved by the Board of Directors but yet to be incurred as at 30 June 2025.

(b) As at 30 June 2025, capital commitments of Mainland China and overseas operations included the authorised outstanding commitments totalling HK\$1.7 billion for the capital expenditure in relation to the Shenzhen Metro Line 13 Phase 1 project.

30 Capital Commitments, Contingent Liabilities and Legal Proceedings *(continued)*

A Capital Commitments *(continued)*

(ii) The capital commitments not provided for in this interim financial report under Hong Kong transport operations, station commercial and other businesses comprise the following:

in HK\$ million	Improvement, enhancement and replacement works	Acquisition of property, plant and equipment	Additional concession property	Total
At 30 June 2025 (Unaudited)				
Authorised but not yet contracted for	24,029	3,175	6,891	34,095
Authorised and contracted for	16,302	1,854	2,084	20,240
	40,331	5,029	8,975	54,335
At 31 December 2024 (Audited)				
Authorised but not yet contracted for	22,560	3,440	5,738	31,738
Authorised and contracted for	18,718	1,878	1,986	22,582
	41,278	5,318	7,724	54,320

B Contingent Liabilities and Legal Proceedings

The Company has not received notification of any legal or arbitration proceedings in relation to the construction of either the HSR Project or the SCL Project. The potential for future proceedings in relation to the construction of: (i) the HSR Project are set out in note 14A; and (ii) the SCL Project are set out in note 14B.

As discussed in note 8B, the Company has objected to the notices of profits tax assessments/additional profits tax assessments for years of assessment from 2009/2010 to 2018/2019 which disallowed deduction of certain payments relating to the Rail Merger.

A collective action has been launched against several train operators in the United Kingdom, including First MTR South Western Trains Limited, an associate of the Group. The action alleges that the train operators breached the competition law by abusing their dominant positions. Specifically, the plaintiff claims that the operators failed to make sufficiently available a specific type of tickets offering “boundary fares” to Travelcard holders, resulting in double-charging the affected passengers for part of their journeys. Court trials for the action has been split into three separate stages, with the first trial completed in July 2024 and [as at the date of this interim financial report, the first trial’s judgment has not been issued]. Whilst the Company is not separately named in the action, it is a 30% shareholder in the First MTR South Western Trains Limited. It is not possible at this time to predict with certainty what liability, if any, the Company might have in respect of this collective action.

Other than the above, whilst the Company may be involved in legal proceedings in the ordinary course of business from time to time, neither the Company nor any of its directors were involved in any litigation, arbitration or administrative proceedings, which in a material way impact on the Company’s business, financial condition or operations. As of the date of this interim financial report, the Company is not aware of any pending or threatened litigation, arbitration or administrative proceedings against the Company or its directors, which would have a material and adverse impact on the Company’s business, financial condition, or operations.

31 Approval of Interim Financial Report

The interim financial report was approved by the Board on 14 August 2025.