CEO's Review and Outlook

Dear Shareholders and other Stakeholders,

It is an exciting time to be part of the Hong Kong growth story. MTR is now actively progressing seven new railway projects that present fresh opportunities for the Company and the city's development. As we carry out one of the largest railway expansions in our history, we are also contending with external challenges such as global economic headwinds, shifting consumer and travel patterns, uncertainties in the retail and property markets, and increased competition both at home and abroad. However, I believe our stakeholders and shareholders should feel confident about the steps we are taking to ensure delivery of these critical infrastructure projects, maintain high standards for existing networks, meet our sustainability objectives, and Keep Cities Moving while simultaneously creating the MTR of tomorrow.

Earlier in the year, we completed a five-year plan to evolve the Company into a future-fit, AI- and tech-empowered organisation with the agility, capabilities and culture to ignite long-term business success and grow together with Hong Kong. This plan involves several important pillars. To Keep Cities Moving with sustainable world-class mass transit services, we are accelerating our adoption of AI and other advanced technologies to continuously enhance safety, reliability and customer experience, enable smart asset management, and strengthen our assets' efficiency and resilience. We are focusing on delivering our many new projects on time, within budget and to a high level of quality. We are pursuing growth opportunities at home, on the Chinese Mainland and overseas. We are increasing our efforts in being an engaged, socially responsible company and a preferred employer with an aligned, motivated and skilled workforce. Finally, to counter market challenges to our domestic and international businesses, we are sustaining and expanding our recurrent revenue streams while exercising prudent and proactive financial and cash flow management. Our new five-year plan signals our firm intent to achieve long-term organisational excellence through financial strength, innovation and technology, and steadfast commitments to communities and those we serve.

We believe our foresight, planning and preparations have us right on track, especially now that there are glimpses of recovery in various aspects of the local economy. Over the first six months of the year, we continued to maintain our Hong Kong services at world-class levels, a highlight of which was the successful replacement of a major signalling system along the Tsuen Wan Line. Recurrent revenue benefitted from increased patronage for our Cross-boundary Service and High Speed Rail. In our property business, the tender market and unit sales were both on the upswing, though the outlook for the second half of the year seems more uncertain. We also kick-started another new project, Pak Shek Kok Station, and won new business on the Chinese Mainland and in Australia. In the longer term, our new projects are progressing well, with many of them to be completed in the coming few years. We are currently in an intensive phase of financing and construction, advancing both in a professional and prudent manner to ensure smooth execution and long-term value creation for the Company. Railways form the core of the city's transportation infrastructure, and the city's rail network today is double that of 20 years ago. Upon completion of the seven new projects underway, together with the South Island Line (West) and Pak Shek Kok Station projects currently under planning and design, we expect the number of stations to increase by 20, enhancing connectivity and providing fresh impetus for Hong Kong.

BUSINESS PERFORMANCE AND GROWTH

Over the first six months of 2026, MTR once again achieved a world-class performance level of 99.9% in both passenger journeys on-time and train service delivery across its heavy rail network in Hong Kong. Cutting-edge innovations such as AI and data analytics continued to help us "Go Smart Go Beyond" in our efforts to achieve enhanced railway operations and maintenance as well as customer service. In March 2026, we announced that fares for 2026/2027 will remain unchanged based on the Fare Adjustment Mechanism. Meanwhile, we continued to offer on-going fare concessions for the elderly, children, eligible students, persons with disabilities and more.

In April 2026, we awarded the tender for the Kam Sheung Road Station Phase 2 property development, supporting the development of the Northern Link. In terms of existing projects, we had eight residential property projects under construction, and along with completed residential property projects, we anticipate contributing about 9,300 units for sale to the market while supporting the development of new rail lines.

We were invited by Government in July 2026 to commence detailed planning and design for Pak Shek Kok Station on the East Rail Line, a station that is important for the development of the Northern Metropolis as well as Hong Kong's technology industry due to its location next to the Science Park. We also continued to make strong progress on a number of new railway projects throughout the first half of the year, including the Tung Chung Line Extension, Oyster Bay Station, the Tuen Mun South Extension, Kwu Tung Station on the East Rail Line, Hung Shui Kiu Station on the Tuen Ma Line and the Northern Link (Part 1).

In support of the National 15th Five-Year Plan, and as part of our continued growth strategy, the Company partnered with a subsidiary of the state-owned enterprise CRRC Group and was awarded the Sydney Metro West project in December 2025. The operations and maintenance contract for Shenzhen Metro Line 13 Phase 2 Northern Extension was awarded in June 2026. We also continued to build our station commercial business on the Chinese Mainland, where we now have operations or agreements in four cities.

One of our top priorities is ensuring that we maintain a diversified funding base to drive growth and execute our capital investment programme. During the period under review, MTR raised an AU$2 billion green bond, a HK$18.8 billion green bond and a EUR 3 billion green bond, further diversifying the Company's investor base and underscoring market confidence in its fundamentals and long-term prospects. The Company maintains disciplined financial stewardship through prudent management, ensuring that obligations are met while supporting long-term growth.

FINANCIAL PERFORMANCE

Profit attributable to equity shareholders from recurrent businesses improved slightly to HK$3,434 million in the first half of 2026 compared to the HK$3,391 million that was recorded over the same period last year. This was due primarily to higher contributions from our Chinese Mainland and International businesses, which were partially offset by higher depreciation and variable annual payment for our Hong Kong businesses. The period under review also saw higher property development profit of HK$12,233 million, which was mainly derived from property development packages relating to our earlier railway projects. As a result, profit from underlying businesses increased by 75.4% to HK$15,667 million. Including the gain arising from fair value measurement of investment properties (a non-cash accounting item) of HK$205 million, net profit attributable to shareholders of the Company increased to HK$15,872 million, representing earnings per share of HK$2.55. Your Board has declared an interim dividend of HK$0.42 per share, same as the first six months of 2025.

OUTLOOK

Our network expansion programme in Hong Kong and our on-going asset maintenance, upgrade and replacement activities require significant capital outlay, which we will continue to manage effectively by sustaining and growing our recurrent revenue streams, securing external funding, and exercising prudent financial management.

In the second half of the year, we anticipate that our patronage will keep seeing mild increases based on recent trends, while our advertising and property rental businesses may also benefit from the gradual stabilisation of the retail and property markets. As always, we will keep a close eye on inflation and interest rate trends as macroeconomic and geopolitical conditions continue to fluctuate.

The performance of our property business and the wider property market will depend to some degree on prevailing local and global economic conditions and interest rate trends. Subject to the progress of construction and sales, we expect to book property development profit from THE SOUTHSIDE Package 6 and Yau Tong Ventilation Building and to continue booking profit from Tai Wai Station in the second half of the year. Much of the profit from property development will contribute to our asset replacement and management programmes as well as new railway projects. Property development projects typically span several years, from design to pre-sales, and the timing of profit recognition depends on both construction and sales progress. The tendering of the Tuen Mun A16 Station Package 2 property development project was launched in July 2026, and the project is expected to be completed in 2033 or after. Subject to market conditions, we expect to tender two projects in the coming 12 months or so. Together with Tuen Mun A16 Station Package 2, these projects could yield a total of about 8,000 units.

On top of commencing project design for the Pak Shek Kok Station project, we will continue discussions with Government in the second half of the year to finalise the Northern Link (Part 2) Project Agreement and move ahead at full steam on the Northern Metropolis' main transport artery. We will also continue to explore opportunities to participate in a range of Government initiatives to expand Hong Kong's transport networks, including additional railway lines as well as smart and green transit systems to serve various parts of the city.

Meanwhile, we are actively pursuing new growth opportunities outside of Hong Kong, a core part of our five-year plan to create diversified business streams and increase recurrent revenue. On the Chinese Mainland, we will seek to grow our core operations and maintenance business, explore transit-oriented development opportunities, and expand our station commercial activities in multiple cities across the country. Internationally, our priorities are to support our client in opening the southwest section of the Sydney Metro M1 Metro North West & Bankstown Line and continue growing our business elsewhere in Australia while also looking afield at high-potential opportunities in Asia, Europe and the Middle East.

In closing, I would like to say once again how excited we are to be participating in this crucial stage of Hong Kong's infrastructural and economic development. I also look forward to working together with our Board, our talented and passionate staff, and our business partners in the coming months and years as we continue building a caring, future-ready, financially robust organisation that our stakeholders can continue to rely on to Keep Cities Moving.

Jeny Yeung Mei-chun
Chief Executive Officer
Hong Kong, 13 August 2026