CEO'S REVIEW OF OPERATIONS AND OUTLOOK

Dear Shareholders and other Stakeholders,

It is my privilege to report on the performance of MTR Corporation Limited for the first half of 2021, a period that saw both the Company and Hong Kong make strides toward overcoming the significant difficulties posed by COVID-19 and lay the groundwork for future recovery and growth.

Over these six months, our colleagues kept Hong Kong moving with great courage and commitment, delivering strong service while maintaining world-class standards of railway operations, health and safety. At the same time, more favourable operating conditions helped the Company drive higher patronage and mall traffic, while several important railway and property projects made encouraging progress.

We continue to face a number of challenges. Economic activity remains below pre-pandemic levels. Social and travel restrictions are still in place, limiting business activities to varying degrees in the markets where we operate. Cross-boundary traffic, which would allow tourist customers from the Mainland of China to return, has yet to reopen. Despite all of this, we continued to deliver safe, reliable and efficient services in the cities we serve, including Hong Kong, the Mainland of China and international markets.

At the same time, we are now in the process of integrating a new strategic direction that will enable long-term sustainable growth both for the Company and the communities it serves. In 2020, we embarked on our new Corporate Strategy, "Transforming the Future". Since early this year, we have been phasing in a new management organisation – one of our most important transformation initiatives – which will enhance accountability and collaboration across business units and internal functions as well as strengthen the Company's "three lines of defence".

Our Corporate Strategy defines our three key strategic pillars and the roles they will play in our future.
Building the first pillar, our "Hong Kong Core", involves leveraging our expertise and technological innovations to advance and grow our local railway network, station

commercial and property business, all while connecting communities across the territory and advancing our social and environmental objectives. We will also seek to grow steadily our second pillar, "Mainland China and International Businesses", driving returns while maintaining our global competitiveness and building our brand internationally. Last but not least, we will develop our third pillar, "New Growth Engines", by investing in areas such as new railway technologies and Mobility as a Service ("MaaS") to strengthen our ventures and drive long-term growth. This will be a multi-year transformation journey.

These pillars are supported by five enablers that will be instrumental to our success: utilising Technology to enable our businesses; strengthening our Organisation and Processes; investing in People; enhancing the financial accountability of our businesses; and establishing a Transformation Management Office to oversee the delivery of our Corporate Strategy.

Importantly, as the backbone of sustainable mobility, the Company is responsible for ensuring that its communities continue to grow and connect in a sustainable and socially inclusive manner. Therefore, it is paramount that we achieve strong environmental, social and governance ("ESG") performance at all levels of our operations. On this front, we are embedding ESG principles into our businesses and operations to create value for all of our stakeholders.

Since July 2020 and over the first half of this year, we have been successful in sowing the seeds for Company-wide awareness and buy-in of our Corporate Strategy. The Transformation Management Office has engaged staff at all levels to communicate the benefits of and need for this new direction, and to listen attentively to feedback. We have reorganised business units and adopted a matrix organisation with business units and corporate functions. We have also reviewed and are in the process of strengthening the Company's "three lines of defence".

We reached a number of achievements during the period. On 27 June 2021, we opened the full Tuen Ma Line, Hong Kong's longest railway line, bringing safe, convenient, comfortable, efficient and environmentally friendly railway services to even more customers while enhancing connectivity between major population centres in Hong Kong.

MTR continued to achieve world-class service performance, including the attainment of 99.9% train service delivery and passenger journeys on-time. The Company also worked hard to keep improving its passenger experience, employing the latest technologies to enhance its popular MTR Mobile while also developing smart maintenance and operations.

In our property business, we awarded Package 5 and Package 6 of THE SOUTHSIDE in Wong Chuk Hang. Upon completion, these phases are expected to add approximately 1,800 units to the Hong Kong residential market.

By 30 June 2021, we had completed 94.3% of the Hung Hom to Admiralty Section, the second section of the Shatin to Central Link. We will continue to work towards opening this extension of the East Rail Line as soon as possible.

In May 2021, we were invited by Government to proceed with detailed planning and design for the Hung Shui Kiu Station project. This new station, located between Tin Shui Wai and Siu Hong stations on the Tuen Ma Line, will become a significant transport facility serving the new population of the Hung Shui Kiu/Ha Tsuen New Development Area. This is the fourth Railway Development Strategy 2014 ("RDS 2014") railway extension project (following the Tung Chung Line Extension, Tuen Mun South Extension – which will become the Tuen Ma Line Extension in the future – as well as Kwu Tung Station and the Northern Link) that Government has asked the Company to take forward under the ownership investment model.

We continued to make progress with new shopping centres and property development projects. The Tung Chung Traction Substation and Pak Shing Kok Ventilation Building developments have proceeded to the land grant stage. In the meantime, the tender of Tung Chung East Station Package 1 is subject to our entering into a project agreement with Government for the Tung Chung Line Extension.

Growing our business in the Mainland of China and international market is one of our core strategic pillars. We continued to seek transit-oriented development ("TOD") opportunities in the Mainland of China and overseas. We also launched a Global Operations Standard that will further enable us to bring our years of operational experience and expertise to bear in other cities we serve.

During the period under review, our financial results continued to be impacted by the COVID-19 pandemic. Although profit arising from recurrent businesses increased by 110.6% to HK$912 million, property development profit decreased by 39.5% to HK$3,147 million. As a result, profit arising from underlying businesses decreased by 27.9% to HK$4,059 million. Including the loss arising from investment property revaluation (a non-cash accounting item), net profit attributable to shareholders of the Company was HK$2,673 million, representing earnings per share after revaluation of HK$0.43.

Your Board has declared an interim dividend of HK$0.25 per share, the same as the corresponding period last year.

HONG KONG BUSINESSES

This segment, which includes Hong Kong railway operations, station commercial activities, and property development and rental, represents the core of MTR's business. Over the first six months of the year, COVID-19 continued to affect commercial and rental revenue, primarily because of the drastic reduction in tourists and cross-boundary passenger journeys resulting from the closure of boundaries and transport links. However, domestic patronage numbers continued to recover in the first half of 2021. Meanwhile, the Company continued to move forward with a number of important property projects under its proven "Rail plus Property" business model.

TRANSPORT OPERATIONS

HIGHLIGHTS

- Opened the full Tuen Ma Line in June 2021
- Maintained world-class 99.9% train service delivery and passenger journeys on-time
- Total patronage at 735.9 million, 15.5% higher than the same period last year; this was mainly due to improvements in the pandemic situation

Composite photograph at Kai Tak Station

HK$ million	Six months ended 30 June 2021	2020	Inc./(Dec.) %
Hong Kong Transport Operations			
Total Revenue	**6,004**	6,234	(3.7)
Operating Profit before Depreciation, Amortisation and Variable Annual Payment ("EBITDA")	**251**	106	136.8
(Loss)/Profit before Interest and Finance Charges and after Variable Annual Payment ("EBIT")	**(2,285)**	(2,579)	11.4
EBITDA Margin (in %)	**4.2%**	1.7%	2.5% pts.
EBIT Margin (in %)	**(38.1)%**	(41.4)%	3.3% pts.

Revenue from Hong Kong transport operations decreased by 3.7% to HK$6,004 million compared to the HK$6,234 million recorded over the corresponding period last year. Loss before interest and finance charges and after the variable annual payment was HK$2,285 million. These results were primarily due to the continued negative impact of the COVID-19 outbreak.

Patronage and Revenue

	Patronage In million		Revenue HK$ million	
	Six months ended 30 June 2021	Inc./(Dec.) %	**Six months ended 30 June 2021**	Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service*	**646.1**	16.7	**5,000**	7.4
Cross-boundary Service	**0.2**	(96.7)	**2**	(99.6)
High Speed Rail	**–**	n/m	**651**	(1.1)
Airport Express	**1.0**	(53.2)	**51**	(52.3)
Light Rail and Bus	**88.6**	21.4	**268**	10.3
Intercity	**–**	n/m	**–**	n/m
	735.9	15.5	**5,972**	(3.7)
Others			**32**	(5.9)
Total			**6,004**	(3.7)

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

n/m: *not meaningful*

Although it has yet to return to pre-pandemic levels, patronage recovered to varying degrees in the first half of 2021, particularly in more residential areas. This was due largely to improved operating conditions in the first six months of 2021 as workers and students returned to offices and schools, certain anti-pandemic measures were relaxed, and vaccination programmes got underway. As a result, Domestic Service patronage rose during the period, driving an increase in total patronage of all our rail and bus passenger services in Hong Kong of 15.5% to 735.9 million. Average weekday patronage increased by 15.1% to 4.37 million. Boundary crossings between Hong Kong and the Mainland of China – including the crossings at Lo Wu, Lok Ma Chau and Hong Kong West Kowloon stations as well as the Intercity Through Train control point at Hung Hom Station – remained closed during the first half of the year, impacting the patronage of Cross-boundary Service, High Speed Rail ("HSR") and Intercity. Airport Express patronage was 1 million, representing a 53.2% decrease compared to the corresponding period the previous year as travel restrictions continued to impact air travel to and from Hong Kong.

MTR continued to drive ridership by offering special promotions and fares and promoting non-peak travel, often leveraging its MTR Mobile to increase customer engagement. To prepare for the eventual resumption of Cross-boundary Service and HSR, MTR has formulated a business recovery plan that includes enhanced COVID-19 protection measures for station and trains. The Company has also co-ordinated and implemented pre-opening initiatives to maintain market presence, strengthen public engagement and social inclusion, and build goodwill. These include hosting tours at Hong Kong West Kowloon Station and Shek Kong Stabling Sidings as well as offering refunds for previously purchased tickets.

Market Share

The Company's overall market share of the franchised public transport market in Hong Kong was 46.2% for the first five months of 2021 compared with 44.6% during the corresponding period in 2020. The increase was mainly due to the recovery in domestic patronage, especially commuter trips, and incremental contribution from Tuen Ma Line Phase 1. Of this total, our share of cross-harbour traffic was 66.7% compared with 65.1% over the first five months of 2020. Our share of the cross-boundary business, including HSR and Cross-boundary Service, was 0% due to the closures of boundary crossings during the period. Our share of traffic to and from the airport over the first five months of 2021 rose to 21.0% from 16.3%.

Fare Adjustment, Promotions and Concessions

Following the revision by the Census and Statistics Department of the year-on-year percentage change in the Composite Consumer Price Index for December 2020, the overall fare adjustment rate under the Fare Adjustment

Operations Performance in the first half of 2021

Service Performance Item	Performance Requirement	Customer Service Pledge Target	**Actual Performance**
Train service delivery			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express[1]	98.5%	99.5%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.5%	99.5%	**99.9%**
– West Rail Line	98.5%	99.5%	**99.9%**
– Tuen Ma Line[2]	N/A	N/A	**N/A**
– Light Rail	98.5%	99.5%	**99.9%**
Passenger journeys on-time			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line and Disneyland Resort Line	98.5%	99.5%	**99.9%**
– Airport Express	98.5%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.5%	99.0%	**99.9%**
– West Rail Line	98.5%	99.0%	**99.9%**
– Tuen Ma Line[2]	N/A	N/A	**N/A**
Train punctuality			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line and Disneyland Resort Line[1]	98.0%	99.0%	**99.9%**
– Airport Express[1]	98.0%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.0%	99.0%	**99.9%**
– West Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line[2]	N/A	N/A	**N/A**
– Light Rail	98.0%	99.0%	**99.9%**
Train reliability: train car-km per train failure causing delays ≥ 5 minutes			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	N/A	800,000	**4,997,810**
– East Rail Line (including Tuen Ma Line Phase 1), West Rail Line and Tuen Ma Line	N/A	800,000	**4,933,057**
Ticket reliability: smart ticket transactions per ticket failure			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line, Airport Express, East Rail Line (including Tuen Ma Line Phase 1), West Rail Line and Tuen Ma Line	N/A	10,500	**38,210**
Add value machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.0%	99.0%	**99.9%**
– West Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line[3]	98.0%	99.0%	**N/A**
Ticket machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	97.0%	99.0%	**99.9%**
– West Rail Line	97.0%	99.0%	**99.8%**
– Tuen Ma Line[3]	97.0%	99.0%	**N/A**
– Light Rail[4]	N/A	N/A	**N/A**
Ticket gate reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	97.0%	99.0%	**99.9%**
– West Rail Line	97.0%	99.0%	**99.9%**
– Tuen Ma Line[3]	97.0%	99.0%	**N/A**
Light Rail platform Octopus processor reliability[5]	N/A	N/A	**N/A**
Escalator reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.0%	99.0%	**99.9%**
– West Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line[3]	98.0%	99.0%	**N/A**
Passenger lift reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.8%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.5%	99.5%	**99.9%**
– West Rail Line	98.5%	99.5%	**99.9%**
– Tuen Ma Line[3]	98.5%	99.5%	**N/A**
Temperature and ventilation			
– Trains, except Light Rail: to maintain a cool, pleasant and comfortable train environment generally at or below 26ºC	N/A	97.5%	**99.9%**
– Light Rail: on-train air-conditioning failures per month	N/A	<3	**0**
– Stations: to maintain a cool, pleasant and comfortable environment generally at or below 27ºC for platforms and 29ºC for station concourses, except on very hot days	N/A	93.0%	**99.8%**
Cleanliness			
– Train compartment: cleaned daily	N/A	99.0%	**99.9%**
– Train exterior: washed every two days (on average)	N/A	99.0%	**100.0%**
Northwest transit service area bus service			
– Service Delivery	N/A	99.0%	**99.8%**
– Cleanliness: washed daily	N/A	99.0%	**100.0%**
Passenger enquiry response time within six working days	N/A	99.0%	**100.0%**

Notes:

1 *The figure reflects the actual performance for the period between 1 January and 26 June 2021.*
2 *The performance requirement, customer service pledge target and actual performance result will be available upon completion of two-year revenue operations.*
3 *The performance result will be available starting from the third quarter of 2021.*
4 *Repair works on damaged Light Rail Ticket Machines are underway. Performance data will be available after completion of repair and testing works.*
5 *Light Rail Platform Octopus Processor replacement works and testing are underway. Performance data will be available after completion of installation, testing and trial operations of the new processors.*

Mechanism for 2021/2022 was revised to -1.85% with effect from 27 June 2021. Prior to this announcement, MTR offered a 20% rebate to customers till March 2021 in conjunction with Government. The Company then offered a 5% rebate from 1 April to 26 June 2021. From 27 June 2021, passengers enjoy the fare reduction of 1.85% as well as a further 3.8% rebate, implying savings of about 5% for Octopus passengers on actual fares until January 2022. Together, these reductions and rebates will allow customers to enjoy total fare savings of more than HK$900 million for 2021/2022.

In addition, as part of the Company's package of economic relief measures issued last year in response to the COVID-19 outbreak, a HK$100 discount was offered on MTR City Saver and Monthly Pass Extras until June 2021. Following the implementation of the fare reduction, we are offering a HK$50 discount during the period of July 2021 to December 2021.

To celebrate the commissioning of the full Tuen Ma Line in June 2021, we introduced a number of special fare promotions, including HK$1 fare discounts at four stations along the Tuen Ma Line as well as an extension of the special interchange discount for designated bus and green minibus routes. Existing fare promotion programmes such as City Saver, Monthly Pass Extra and Early Bird Discount were also extended to cover new Tuen Ma Line stations.

To ensure that we provide socially inclusive services for our customers, we expect to offer more than HK$1.7 billion in on-going fare concessions to the elderly, children, eligible students and persons with disabilities in 2021.

Service Performance

Despite various operational challenges due to the pandemic, MTR continued its strong track record of dependable service during the period under review, achieving 99.9% in both passenger journeys on-time and train service delivery along our heavy rail network. This performance exceeds the targets set in our Operating Agreement and also surpasses our Customer Service Pledge standards. Passenger journeys on-time are those completed within five minutes of their scheduled journey times, while train service delivery measures actual train trips run against those scheduled to be run.

In the first half of 2021, MTR ran more than 0.86 million train trips (and around 135.0 million car-km) on its heavy rail network and more than 0.47 million trips (and 5.2 million car-km) on its light rail network. There were nine delays lasting 31 minutes or more and attributable to factors within MTR's control on the heavy rail network and none on the light rail network. The light rail network has experienced no such delays since 2019. When delays do occur, the Company carries out thorough investigations and takes necessary measures to minimise recurrence in the future.

On 6 February 2021, MTR commenced operations of the new signalling system for the East Rail Line, an important part of the Shatin to Central Link project, with the introduction of the first new train. System performance has been trending towards steady operations since commencement and will continue to be monitored closely.

Enhancing the Customer Service Experience

MTR continued to demonstrate leadership in customer service with strong support of frontline staff, making a number of enhancements to facilities and services during the first six months of the year. Many of these initiatives centred on innovation and ESG, underscoring the Company's firm commitment to its Corporate Strategy.

Boosting Passenger Convenience

The full Tuen Ma Line commenced passenger service on 27 June 2021, marking the opening of the longest railway line in Hong Kong. The 56-km Tuen Ma Line serves 27 stations throughout the eastern and western New Territories and east Kowloon, connecting passengers with the East Rail Line, Kwun Tong Line, Tung Chung Line and Tsuen Wan Line via six interchange stations. It also extends MTR's safe, reliable, convenient, efficient and environmentally friendly railway network to areas of To Kwa Wan, Kowloon City and the new Kai Tak Development Site.

The Tuen Ma Line also represents a new era in customer service for MTR. Passenger Information Display Systems at platforms show real-time train car loading information, allowing passengers to choose cars with more space for boarding. In addition, the new To Kwa Wan and Sung Wong Toi stations have roving teams of station staff and robots to handle enquiries and ticketing issues for passengers at the concourse. Robots will also carry out cleaning works, assist station staff and provide safety reminders to passengers using escalators.

In the first half of the year, the Company also continued to optimise train services during non-peak hours in order to meet the changing needs of the public during the pandemic.

Greater Comfort for Passengers

As part of the Company's programme to retire older trains and light rail vehicles and replace them with new models, MTR has ordered 93 new heavy rail eight-car trains and 40 new light rail vehicles. As at end-June 2021 we have received delivery of 11 new eight-car heavy rail trains, while 12 new light rail vehicles have been delivered and six have been put into passenger service.

During the period, we replaced approximately half our chillers with newer, more energy-efficient models for enhanced comfort in our stations and depots. With the completion of Phase 4 in April 2021, a total of 105 new chillers have been installed in 26 stations and four depots over the past four years. In the fourth quarter of 2021, another 28 new chillers will be installed in nine stations. All work is expected to be completed in 2023.

We also continued to upgrade our existing signalling system. Work is being carried out on systems along the Tsuen Wan, Island, Kwun Tong and Tseung Kwan O lines. We are also conducting a comprehensive review of the new signalling system software for the Tsuen Wan Line to ensure it continues to be safe and reliable. Work on the signalling system of the Tung Chung Line, Airport Express and Disneyland Resort Line will be planned together with the Tung Chung Line Extension under RDS 2014.

Enhancing Station Facilities

Our stations are critical to the customer experience as well as our operations, and we strive to make them comfortable and accessible for all passengers. Over the first six months of the year, we installed new and refurbished escalators and lifts for ease of access, and we designated priority seats at platforms where passengers in need can rest. To help passengers in wheelchairs board and alight from light rail vehicles, we also installed "Board Easy Mats" at 25 selected stop platforms during the first half of the year.

The on-going installation of additional baby care rooms and toilets will also result in greater passenger comfort during journeys. New public toilets and a baby care room at Tsim Sha Tsui Station are planned for opening in the second quarter of 2022, by which time new public toilets at all interchange stations will have been completed.

Smart Mobility to Enhance Customer Journeys

Technology is a critical component of the modern customer experience. It forms an integral part of our Corporate Strategy as we strive to make MTR ready and fit for the future. It is even more important in the prevailing pandemic environment, as hygiene-conscious customers demand contactless services and online shopping alternatives. During the period under review, we worked to accelerate our investment in innovation, using advanced technology and integrated digital platforms for better, safer and more personalised engagement.

Our MTR Mobile has become one of our primary customer service touchpoints. Earlier this year, we announced the launch of QR code tickets, which give passengers using the MTR Mobile or AlipayHK contactless access to MTR entry and exit gates – enabling them to travel throughout the heavy rail network with added convenience. We have added more interchange stations to the app's "Waiting Time Indicator" function, which gives passengers a real-time estimation of how long they need to wait at platforms to board our trains. To promote MaaS and smart mobility, we also introduced a "Book Taxi" function on MTR Mobile that lets customers hail taxis and complete their trip planning on a single platform.

Smart Operations and Maintenance

Employing the latest technologies enables us to work smarter behind the scenes to achieve world-class rail and station services. In the first half of this year, we continued to extend our use of Smart Train Planning, an AI platform with cloud technology whereby we can input big data such as mileage, train movement constraints, and operational and maintenance requirements to generate optimised train deployment schedules, maintenance work and train assignment timetables. We are now working on extending use of this platform to the newly opened Tuen Ma Line. We also began trialling a Smart Train Roof and Pantograph Monitoring System along the Tuen Ma Line to capture complete images of train pantographs and roofs automatically, which enables maintenance crews to conduct immediate fleet checks remotely via web access when incidents occur. Also to enhance monitoring of in-service trains, we have adopted image recognition technology to identify anomalies, alert maintenance teams and prevent further escalation of failures.

STATION COMMERCIAL BUSINESSES

HIGHLIGHTS

- Launched Kerry Express @ MTR Shops, a new station retail solution
- Installed 61 digital advertising panels; 6% of the Company's advertising panels is now digital
- 5G services available at 70 stations as at June 2021

	Six months ended 30 June		
HK$ million	**2021**	2020	Inc./(Dec.) %
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	**808**	1,183	(31.7)
Advertising Revenue	**344**	213	61.5
Telecommunication Income	**302**	365	(17.3)
Other Station Commercial Income	**42**	48	(12.5)
Total Revenue	**1,496**	1,809	(17.3)
EBITDA	**1,276**	1,549	(17.6)
EBIT	**1,145**	1,334	(14.2)
EBITDA Margin (in %)	**85.3%**	85.6%	(0.3)% pt.
EBIT Margin (in %)	**76.5%**	73.7%	2.8% pts.

In the first half of 2021, total revenue from all Hong Kong station commercial activities decreased year-on-year by 17.3% to HK$1,496 million. This was mainly attributable to the loss of rental revenue resulting from the suspension of cross-boundary rail services following boundary closures as well as on-going rental concessions granted to shop tenants whose businesses have been impacted by the pandemic.

Rental revenue from station shops was HK$808 million, representing a decrease of 31.7% compared to the same period last year. This was primarily attributed to the fact that January 2020 was still a normal month before the outbreak of the pandemic. Despite a general recovery in Domestic Service station retail sales, the economic and operating environments remain largely unfavourable. As a result, we continue to foster relationships with existing tenants and attract new tenants by offering flexible and/or shorter-term leases, particularly to small and medium enterprises. Since the COVID-19 outbreak in the beginning of 2020, we have offered rental relief to affected tenants, further demonstrating our commitment to helping our business partners persevere in the current business climate. We also continued reviewing our station tenant mix to enhance customer appeal and drive rental revenue. As at 30 June 2021, the total number of retail shops in our stations was 1,543, covering 68,062 square metres of station retail area. The increase in the number of station shops compared with the first six months of 2020 was mainly due to the opening of the full Tuen Ma Line. The rental reversion and average occupancy rates in our station kiosks for the first half of 2021 were -17.5% and 98.1%, respectively.

This year, MTR has collaborated with Kerry Logistics Network Limited to launch an online-to-offline ("O2O") retail platform which aims to change the online shopping experience with a new, one-stop fulfilment solution that brings ease and expediency to online consumption. "Kerry Express @ MTR Shops" outlets offer self-service pick-up units along with interactive screens that allow for instant purchase and pick-up of a range of products. By purchasing online from Kerry Logistics' quality partner brands, customers can choose to pick up their products in any "Kerry Express @ MTR Shops" outlet. Eight of these

O2O outlets have commenced service at MTR stations across Hong Kong since May 2021, with a total of 13 set to open within this year.

As at 30 June 2021, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 21% will expire in the second half of 2021, 42% in 2022, 25% in 2023, and 12% in 2024 and beyond.

In terms of trade mix, food and beverage accounted for approximately 23% of the leased area of our station kiosks (excluding Duty Free shops), followed by cake shops at 16%, convenience stores at 14%, passenger services at 12% and others at 35% as at 30 June 2021.

Revenue from advertising increased by 61.5% to HK$344 million in the first half of the year, mainly due to improved market sentiment following the resumption of economic activities and relaxing of social distancing measures. As at 30 June 2021, the total number of advertising units in stations and trains was 49,307, including new advertising panels launched along the newly opened full Tuen Ma Line. We continued to address limited advertising budgets and late bookings with audience-targeted solutions and aggressive, flexible sales packages. In accordance with our commitment to innovation, we continued to digitalise our advertising formats, introducing two new iconic LED screens at Tsim Sha Tsui and Causeway Bay stations. We also further extended our digital networks at the platforms and concourses of 22 stations and widened our real-time dynamic advertising distribution network to more rail lines to meet market demand for flexible display options, dynamic content creative, and geo- and micro-targeted advertising. These comprehensive physical and advertising assets help provide an all-round online-offline solution for marketers in the new market paradigm. The Company's total media solution of MTR station advertising plus MTR Mobile has gained popularity as a result, with more than 280 online-offline campaigns rolled out during the period.

Revenue from our telecommunications business decreased by 17.3% to HK$302 million in the first half of 2021. Our project to boost capacity with a new commercial telecom system is nearly finished, with 30 of 31 stations completed by end-June. Meanwhile, 5G service has now been launched at 70 stations.

PROPERTY AND OTHER BUSINESSES

HIGHLIGHTS

- Awarded THE SOUTHSIDE Package 5 and Package 6
- Booked property development profit from LOHAS Park Package 8

	Six months ended 30 June		
HK$ million	**2021**	2020	Inc./(Dec.) %
Hong Kong Property Rental and Property Management Businesses			
Revenue from Property Rental	**2,392**	2,469	(3.1)
Revenue from Property Management	**119**	113	5.3
Total Revenue	**2,511**	2,582	(2.7)
EBITDA	**2,078**	2,203	(5.7)
EBIT	**2,067**	2,193	(5.7)
EBITDA Margin (in %)	**82.8%**	85.3%	(2.5)% pts.
EBIT Margin (in %)	**82.3%**	84.9%	(2.6)% pts.

Property Rental and Management

Property rental revenue decreased by 3.1% to HK$2,392 million in the first half of 2021, which was primarily the result of rental concessions granted to tenants due to the on-going pandemic situation. These concessions were partially offset by incremental contributions from the opening of The LOHAS and the acquisition of remaining economic interests in Telford Plaza II in Kowloon Bay and PopCorn 2 in Tseung Kwan O last year. Rental concessions are granted on a case-by-case basis with consideration given to the pandemic's impact on certain trade categories. The principles are reviewed on a regular basis, and concessions are amortised to the profit and loss account over the remaining lease terms of respective tenants.

MTR shopping malls in Hong Kong recorded a rental reversion of -11.4%. Our shopping malls in Hong Kong and the Company's 18 floors in Two International Finance Centre were 98.5% and 98.2% let on average, respectively.

While retail sentiment improved during the period, mall traffic and rentals continued to be impacted by the lack of inbound tourism, work-from-home arrangements and a change of customer behaviours. In response, the Company continued to take a number of actions to drive mall traffic. These included partnering with tenants for customer loyalty and redemption programmes, opening pop-up stores for e-commerce merchants, and diversifying the tenant trade mix in MTR malls to appeal to changing trends and demographics. We leveraged MTR Mobile to apply targeted marketing according to shopper behaviour to stimulate spending. We also introduced "eVouchers" that allow customers to redeem and use electronic cash vouchers for MTR Malls and station shops without queuing for physical vouchers.

As at 30 June 2021, our attributable share of investment properties in Hong Kong was 256,938 square metres of lettable floor area of retail properties, 39,404 square metres of lettable floor area of office space and 18,905 square metres of property for other use.

As at 30 June 2021, the lease expiry profile of our shopping malls by area occupied was such that approximately 17% will expire in the second half of 2021, 34% in 2022, 23% in 2023, and 26% in 2024 and beyond.

In terms of trade mix as at 30 June 2021, food and beverage accounted for approximately 29% of the leased area of our shopping malls, followed by services at 23%, fashion, beauty and accessories at 22%, leisure and entertainment at 17%, and department stores and supermarkets at 9%.

Property management revenue in Hong Kong increased by 5.3% to HK$119 million over the first six months of the year. As at 30 June 2021, MTR managed more than 111,000 residential units and over 772,000 square metres of office and commercial space in Hong Kong.

Property Development and Tendering

Hong Kong property development profit was HK$3,118 million, which was mainly derived from surplus proceeds from LOHAS Park Package 8.

Pre-sales activities continued during the first six months of the year for a number of important property development projects. As at 30 June 2021, approximately 76% of SOUTHLAND (THE SOUTHSIDE Package 1) and 98% of The Pavilia Farm (Tai Wai Station) had been sold. In addition, 99.9% of MARINI, GRAND MARINI and OCEAN MARINI (LOHAS Park Package 9) and 99.4% of SEA TO SKY (LOHAS Park Package 8) had been sold. Pre-sales of LP10 (LOHAS Park Package 10) began in January 2021, and 59.7% of units had been sold as at end-June. Pre-sale consent for La Marina (THE SOUTHSIDE Package 2) has been obtained.

For the West Rail property development projects, where we act as agent for the relevant subsidiaries of Kowloon-Canton Railway Corporation ("KCRC"), all residential units of Cullinan West (Nam Chong Station) and Sol City (Long Ping Station (South)) have been sold while sales continued for Cullinan

Property Development Packages Completed during the period and Awarded

Location	Developers	Type	Gross floor area *(sq. m.)*	Tender award date	Expected completion date
Ho Man Tin Station					
Package 1	Great Eagle Group	Residential	69,000	December 2016	By phases in 2024
Package 2	Chinachem Group	Residential	59,400	October 2018	By phases in 2024
LOHAS Park Station					
MONTARA and GRAND MONTARA	Wheelock and Company Limited	Retail Kindergarten Residential	44,500 1,160 70,260	June 2015	Completed in 2019 By phases in 2021
SEA TO SKY	CK Asset Holdings Limited	Residential	97,000	October 2015	2021
MARINI, GRAND MARINI and OCEAN MARINI	Wheelock and Company Limited	Residential Kindergarten	104,110 810	December 2015	By phases in 2021
LP10	Nan Fung Group Holdings Limited	Residential	75,400	March 2016	2022
Package 11	Sino Land Company Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	88,858	April 2019	2025
Package 12	Wheelock and Company Limited	Residential	89,290	February 2020	2026
Package 13	Sino Land Company Limited, Kerry Properties Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	143,694	October 2020	2026
Tai Wai Station					
The Pavilia Farm	New World Development Company Limited	Residential Retail	190,480 60,620*	October 2014	To be confirmed
Tin Wing Stop					
Tin Wing	Sun Hung Kai Properties Limited	Residential Retail	91,051 205	February 2015	2024
Wong Chuk Hang Station (THE SOUTHSIDE)					
SOUTHLAND	Road King Infrastructure Limited and Ping An Real Estate Company Limited	Residential	53,600	February 2017	2022
La Marina	Kerry Properties Limited and Sino Land Company Limited	Residential	45,800	December 2017	2023
Package 3	CK Asset Holdings Limited	Residential Retail	92,900 47,000	August 2018	2024
Package 4	Kerry Properties Limited, Swire Properties Limited and Sino Land Company Limited	Residential	59,300	October 2019	2025
Package 5	New World Development Company Limited, Empire Development Hong Kong (BVI) Limited, CSI Properties Limited and Lai Sun Development Company Limited	Residential	59,100	January 2021	2026
Package 6	Wheelock Properties Limited	Residential	46,800	April 2021	2027
Yau Tong Ventilation Building					
Yau Tong Ventilation Building	Sino Land Company Limited and CSI Properties Limited	Residential	30,225	May 2018	2025
Kam Sheung Road Station#					
Package 1	Sino Land Company Limited, China Overseas Land & Investment Limited and K. Wah International Holdings Limited	Residential	114,896	May 2017	2025
Yuen Long Station#					
Yuen Long	Sun Hung Kai Properties Limited	Residential Retail	126,455 11,535^	August 2015	2022

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

Property Development Packages to be Awarded Notes 1 and 2

Location	Type	Gross floor area *(sq. m.)*	Period of package tenders	Expected completion date
Pak Shing Kok Ventilation Building	Residential	27,000	2021 – 2022	2031
Tung Chung Traction Substation	Residential	87,300	2021 – 2022	2030

Notes:
1 *Property development packages for which we are acting as development agent for the relevant subsidiaries of KCRC are not included.*
2 *These property development packages are subject to review in accordance with land grant conditions and completion of statutory processes.*

West II and Cullinan West III. The application for pre-sale consent for Yuen Long Station property development (Phase 1) remains in progress.

In January 2021, THE SOUTHSIDE Package 5 was awarded to a consortium formed by New World Development Company Limited, Empire Development Hong Kong (BVI) Limited, CSI Properties Limited and Lai Sun Development Company Limited. In April 2021, our last package at THE SOUTHSIDE, THE SOUTHSIDE Package 6, was awarded to a subsidiary of Wheelock Properties Limited. For Ho Man Tin Station Package 1, a novation agreement was reached between MTR Corporation Limited, Goldin Properties Holdings Limited and Great Eagle Group.

Operationally, COVID-19 and social distancing measures continued to necessitate adjustments to the Company's sales efforts. During the period we worked closely with developers to ensure sales office hygiene and offer online marketing alternatives – thus providing confidence to purchasers and visitors – and to monitor and devise strategies for changing market conditions.

We always attach great importance to railway safety and the quality of property development projects. We are highly concerned about the concrete quality issue of The Pavilia Farm III and have urged New World Development Company Limited ("the Developer") to conduct a full investigation and implement proper remedial measures as soon as possible, in order to ensure that the relevant buildings will meet the requirements of the approved design and all statutory requirements and that our railway facilities, services and safety will not be affected. We have also requested that the Developer take into consideration the interests of affected purchasers and undertake necessary follow-up actions.

Other Businesses

Revenue from Ngong Ping 360 increased by 19.4% to HK$43 million in the first six months of 2021, reflecting a 54.1% increase in visitor numbers to approximately 200,000, most of which was domestic visitation. The business also benefitted from sales offers and attractive promotional events launched during the period, as well as from staycation packages organised in partnership with Lantau hotels.

Our share of profit from Octopus Holdings Limited decreased by 2.0% to HK$100 million in the first half of the year. This was mainly due to higher marketing costs for projects scheduled for the second half of the year and lower sales of Tourist Octopus and consumer products, partially offset by higher retail transaction volume. As at 30 June 2021, more than 45,000 service providers in Hong Kong accepted Octopus payments. Total cards and other stored-value Octopus products in circulation were 31.9 million, while average daily transaction volumes and value were 12.9 million and HK$216.3 million, respectively. Our base of new merchants expanded substantially in the first half as a result of the Consumption Voucher Scheme.

GROWING OUR HONG KONG BUSINESSES

HIGHLIGHTS

- Completed 94.3% of the Hung Hom to Admiralty Section by end of June 2021
- Invitation received from Government to proceed with detailed planning and design of Hung Shui Kiu Station in May 2021

In the first half of the year, we continued to make progress on the Shatin to Central Link as well as a number of other railway projects in our core market of Hong Kong, all of which are key to our growth as well as the connectivity of the city we call home. We also continued to expand our property portfolio, bringing quality residential units and shopping centres to the market in major urban growth areas.

Shatin to Central Link

The Shatin to Central Link, a project managed by MTR on behalf of Government, will greatly enhance connectivity between major population centres in Hong Kong. The first section is the Tai Wai to Hung Hom Section, which connects the former Ma On Shan Line to the former West Rail Line to form the Tuen Ma Line. Four new stations were built for this project, and expansion works were carried out at four interchange stations. Following the opening of Tuen Ma Line Phase 1 in February 2020, the full-line opening of the Tuen Ma Line in June 2021 brought this important section of the Shatin to Central Link infrastructure to fruition. On 21 June 2021, the Company entered into agreements with Government and KCRC for the operation of the Tuen Ma Line for a concession period of two years from 27 June 2021.

The Hung Hom to Admiralty Section, the second section of the Shatin to Central Link, was 94.3% complete as at end-June 2021. As the existing East Rail Line will connect with the new Hung Hom to Admiralty Section, its signalling system must be upgraded for compatibility with the new section. Following the satisfactory completion of testing, as well as approvals from relevant Government departments, the East Rail Line's new signalling system and the first new train were commissioned on 6 February 2021. This was, however, later than planned due to a postponement of the anticipated commissioning in 2020. As the commissioning of the new signalling system on the East Rail Line is on the critical path of the programme leading to opening, the completion date of the Hung Hom to Admiralty Section will inevitably be impacted. As the project manager of the project, the Company is making every effort to reduce the impact of this delay. The project programme is being reviewed holistically, and the Company will announce the new target opening date of this section as soon as possible.

After reviewing the Report of the Investigation Panel into the postponement of the commissioning of the new signalling system, the Company also announced the establishment of a dedicated Shatin to Central Link Technical and Engineering Assurance Team to monitor the project from both technical and service readiness perspectives and to identify critical issues with the remaining works for timely reporting and follow-up. A new Service Reliability Report will also be prepared for Government before the commissioning of new lines.

In April 2021, the audit report submitted by the Independent Audit Panel for "Implementation of Recommendations in the Final Report of the Commission of Inquiry ("the COI") into the Construction Works at and near the Hung Hom Station Extension under the Shatin to Central Link Project" was released. The report concluded that the Company has implemented the majority of the COI recommendations, while the remaining recommendations, which primarily relate to amendments of the project management procedures and review of the suite of contract documents to be adopted for future projects, are making satisfactory progress towards implementation.

Other New Railway Projects

The Company continues to make progress on initiatives related to RDS 2014, the Government framework for the future expansion of Hong Kong's railway network. In April, May and December 2020, we were invited to proceed with the detailed planning and design of the Tung Chung Line Extension, Tuen Mun South Extension, as well as Kwu Tung Station and the Northern Link, respectively. Currently, we are progressing the detailed planning and design, ground investigation and environmental impact assessment work for the Tung Chung Line Extension and Tuen Mun South Extension. For the Northern Link project, we awarded the consultancy for the detailed planning and design of Kwu Tung Station in April 2021 and the preliminary design consultancy for the main line and associated stations in July 2021. The terms of implementation of such projects are subject to the respective project agreement to be entered into with Government.

In May 2021, we were invited by Government to proceed with detailed planning and design works for Hung Shui Kiu Station, which will be located between Tin Shui Wai and Siu Hong stations along the Tuen Ma Line. This new station will serve the burgeoning Hung Shui Kiu/Ha Tsuen New Development Area, increasing development potential as well as job opportunities in the area.

We continue to work with Government to address technical challenges related to the East Kowloon Line and North Island Line. Regarding the South Island Line (West), we are addressing comments from Government after submitting a proposal in December 2020.

Expanding the Property Portfolio

Investment Properties

Our new malls, The Wai in Tai Wai and THE SOUTHSIDE in Wong Chuk Hang, are expected to boost the attributable GFA of our existing retail portfolio by approximately 30%. Superstructure works for THE SOUTHSIDE have commenced, and the anticipated opening date is 2023. In light of the recent construction issue regarding The Pavilia Farm III, we are assessing the potential impact on the opening of The Wai based on the report recently submitted by the developer.

Residential Property Development

Supporting Government's housing supply efforts, 15 residential property projects have been awarded and are expected to deliver approximately 20,000 units to the market over the next six years or so.

Ground investigation works have commenced and layout planning is progressing for the Siu Ho Wan Depot site topside development, which is expected to provide approximately 20,000 units, roughly half of which will be public housing. The town planning procedures for the Tung Chung Traction Substation and Pak Shing Kok Ventilation Building developments were completed in June 2021, and we will tender out these two projects subject to the approval of land grants. The tender for Tung Chung East Station Package 1 is subject to our entering into a project agreement for the Tung Chung Line Extension with Government. Meanwhile, we continue to explore the development potential of sites along our existing and future railway lines, including the Tuen Mun South Extension, Kwu Tung Station and the Northern Link, and Hung Shui Kiu Station.

MAINLAND OF CHINA AND INTERNATIONAL BUSINESSES

HIGHLIGHTS

- Progressing with the Shenzhen Metro Line 13 public-private partnership project awarded last year
- Taking over Mälartåg operations in Sweden in December 2021

In addition to developing its home market of Hong Kong, the Company continued to seek opportunities in the Mainland of China and overseas, in particular the Greater Bay Area, in order to grow and diversify its revenue streams and build the MTR brand globally. Through its subsidiaries, associates and joint ventures, the Company served a total of approximately 806 million passengers and an average of about 4.96 million passengers per weekday in the Mainland of China, Macao, Australia and Europe over the first six months of 2021. COVID-19 continued to affect patronage, although the extent to which it impacted the Company's financial performance varied depending on the business models for different business contracts.

	Mainland of China and International Businesses								
	Mainland of China and Macao Railway, Property Rental and Property Management Businesses			International Railway Businesses			Total		
Six months ended 30 June HK$ million	**2021**	2020	Inc./(Dec.) %	**2021**	2020	Inc./(Dec.) %	**2021**	2020	Inc./(Dec.) %
Recurrent Businesses									
Subsidiaries									
Revenue	**879**	753	16.7	**11,171**	9,712	15.0	**12,050**	10,465	15.1
EBITDA	**148**	119	24.4	**431**	190	126.8	**579**	309	87.4
EBIT	**142**	113	25.7	**303**	69	339.1	**445**	182	144.5
EBIT (Net of Non-controlling Interests)	**142**	113	25.7	**194**	46	321.7	**336**	159	111.3
EBITDA Margin (in %)	**16.8%**	15.8%	1.0% pt.	**3.9%**	2.0%	1.9% pts.	**4.8%**	3.0%	1.8% pts.
EBIT Margin (in %)	**16.2%**	15.0%	1.2% pts.	**2.7%**	0.7%	2.0% pts.	**3.7%**	1.7%	2.0% pts.
Recurrent Business Profit/(Loss)	**154**	**92**	**67.4**	**104**	**(12)**	**n/m**	**258**	**80**	**222.5**
Associates and Joint Ventures									
Share of EBIT	**824**	288	186.1	**33**	28	17.9	**857**	316	171.2
Share of Profit	**399**	**88**	**353.4**	**31**	**27**	**14.8**	**430**	**115**	**273.9**
EBIT of Subsidiaries (Net of Non-controlling Interests) and Share of EBIT of Associates and Joint Ventures	**966**	401	140.9	**227**	74	206.8	**1,193**	475	151.2
Profit Attributable to Shareholders of the Company									
– Arising from Recurrent Businesses (before Business Development Expenses)							**688**	**195**	**252.8**
– Business Development Expenses							**(122)**	(53)	130.2
– Arising from Recurrent Businesses (after Business Development Expenses)							**566**	**142**	**298.6**
– Arising from Mainland of China Property Development							**29**	29	–
– Total							**595**	**171**	**248.0**

n/m: not meaningful

In the Mainland of China and Macao, recurrent business profit from railway, property rental and property management subsidiaries increased to HK$154 million, representing a year-on-year increase of 67.4%. This was mainly derived from improved railway operations as well as the recovery of our property rental and management businesses, which was partially offset by a lower contribution from the Macao business.

In our International businesses, recurrent business profit from our railway subsidiaries was HK$104 million for the first half of the year compared to a recurrent business loss of HK$12 million over the same period in 2020. This was mainly due to better performance from Metro Trains Melbourne Pty. Ltd. and our operations and maintenance ("O&M") business at Sydney Metro North West, which was partially offset by lower farebox revenue from MTRX in Sweden due to COVID-19.

Our share of profits from our associates and joint ventures increased to HK$430 million in the first half of 2021 from HK$115 million during the same period last year. This was mainly due to recovery from COVID-19 by our Hangzhou and Beijing operations.

Excluding Mainland of China property development, our railway, property rental and management subsidiaries (after business development expenses), together with our associates and joint ventures outside of Hong Kong, contributed a net after-tax profit of HK$566 million in the first half of 2021 on an attributable basis. This represented an increase of 298.6% compared with the HK$142 million recorded during the first six months of 2020.

Railway Businesses in the Mainland of China

Beijing

In Beijing, our associate operates Beijing Metro Line 4 ("BJL4"), the Daxing Line, the first three phases of Beijing Metro Line 14 ("BJL14"), and the Northern and Middle sections of Beijing Metro Line 16 ("BJL16"). The average on-time train service performance of these four lines in the first half of 2021 was 99.9%. Patronage increased due to recovery from the COVID-19 pandemic.

Both BJL4 and the Daxing Line maintained stable operations during the period under review. Total ridership for the two lines was approximately 153 million passenger trips, and average weekday patronage was over 958,000. The first three phases of BJL14 recorded combined passenger trips of approximately 96 million and average weekday patronage of approximately 629,000. The Northern and Middle sections of BJL16 recorded approximately 21 million passenger trips and average weekday patronage of approximately 140,000 in the first half of 2021.

The full-line opening of BJL14 is targeted for late this year. The full-line opening of BJL16 is scheduled for late 2022 at the earliest. The opening of the first phase of Beijing Metro Line 17 is targeted for end-2021.

Shenzhen

Shenzhen Metro Line 4 ("SZL4") is operated by our wholly owned subsidiary. Both SZL4 and the SZL4 North Extension maintained stable operations over the first half of the year with on-time train service performance of 99.9%. Patronage improved due to recovery from the impact of COVID-19, increasing by 45% to 91 million passengers compared to the same period in 2020. Average weekday patronage was 518,000.

There has been no increase in fares for SZL4 since we began operating the full line in 2011. In July 2020, the Shenzhen Municipal Government publicised a fare adjustment framework for the Shenzhen Metro network that took effect on 1 January 2021 for a period of five years. This framework is expected to enable the establishment of a fare-setting mechanism and the procedures for fare adjustment. If a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

A consortium led by our wholly owned subsidiary was awarded the Shenzhen Metro Line 13 public-private partnership contract last year. Construction work continued during the period under review. Procurement of the signalling and rolling stock contracts has commenced.

Hangzhou

Our associate operates Hangzhou Metro Line 1 ("HZL1"), the HZL1 Xiasha extension and airport extension and Hangzhou Metro Line 5 ("HZL5"), all of which achieved stable operations. Patronage continued to increase due to recovery from the COVID-19 pandemic. Over the first six months of the year, ridership of HZL1 and its extensions increased by 66% to 136 million compared to the same period last year. Average weekday patronage for HZL1 and its extensions was 769,000, and on-time train service performance remained at 99.9%. Total patronage of HZL5 was 87 million in the first half of 2021 with an average weekday patronage of 535,000.

Our rolling stock maintenance joint venture company with the CRRC Hangzhou Digital Technology Co. Ltd. consortium continued to perform the rolling stock fleet overhaul for certain awarded lines in Hangzhou and Shenzhen.

Property Business in the Mainland of China

At the Tiara, the residential development at Shenzhen Metro Longhua Line Depot Site Lot 1, 16 out of the 32 remaining units had been sold by 30 June 2021.

During the period under review, COVID-19 continued to affect occupancy rates and foot traffic at TIA Mall in Shenzhen and Ginza Mall in Beijing. Average occupancy rates were 78% for TIA Mall and 74% for Ginza Mall.

In Tianjin, construction is progressing well on the Beiyunhe Station shopping mall, with completion targeted for 2024.

Regarding the Hangzhou West Station TOD project, MTR and its partners secured the land use right for a site south of the station in March 2021. This project is a mixed-use property development comprising serviced apartment, office, retail and hotel elements, with a total developable GFA of approximately 688,210 square metres. Site investigations, preparation of plan submission and an application for consent to commence work are all in progress.

The Company also manages self-developed and other third-party properties in the Mainland of China, with a total managed area of approximately 406,000 square metres as at 30 June 2021.

Macao Railway Business

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line. We also provide project management and technical support to the Macao Government for the design development and project delivery of other light rail lines and extensions in the city. The operation of the Macao Light Rapid Transit Taipa Line was smooth in general during the period under review.

European Railway Business

United Kingdom

In London, our wholly owned subsidiary operates the Crossrail operating concession under the TfL Rail brand. MTR continues to support the phased opening of TfL Rail, which will be renamed Elizabeth Line upon the opening of the Central Operating Section. During the first six months of 2021, we continued to help our client prepare the project for the trial operations phase later this year. While ridership on TfL Rail continued to be impacted by COVID-19, our financial interest is reasonably protected as this concession has no fare revenue risk and financial performance in the first half of 2021 was in line with our expectations for this concession contract.

Our associate operates South Western Railway, one of the largest rail networks in the UK, and achieved stable operations despite the pandemic. During the period under review, we signed a National Rail Contract for a two-year term lasting till May 2023, under which the Department for Transport will retain all revenue risk and substantially all cost risk.

Sweden

MTR is the largest rail operator in Sweden by passenger volume. Our wholly owned subsidiaries operate three rail businesses: Stockholm Metro (Stockholms tunnelbana), MTRX and Stockholm commuter rail service (Stockholms pendeltåg).

In the first half of the year, Stockholm Metro achieved stable operations and full delivery of its service timetable. Ticket revenue for MTRX continued to be significantly impacted by the pandemic due to travel advisories and restrictions on carrying capacity, and we are reviewing options to deal with the situation. Stockholms pendeltåg suffered from third-party infrastructure failures and a third-party incident, leading to weaker operating performance during the period.

In December 2020, our subsidiary was awarded the Mälartåg train service O&M concession. Other bidders challenged the tender process, and one of the appeals was granted by the court. The regional Public Transport Authority then decided to appeal, and the court has yet to issue a final ruling. In the meantime, an interim agreement has been signed with the regional Public Transport Authority stipulating that we will take over Mälartåg operations in December 2021 for a period of two years, with a further year plus one-year extension to be granted at the discretion of the regional Public Transport Authority.

Australia Railway Business

The Melbourne metropolitan rail network, which is operated by our subsidiary, achieved satisfactory operational performance despite patronage being impacted by the on-going pandemic. We continued to support our client on a variety of initiatives to improve passenger service during the period under review.

The Sydney Metro North West Line also achieved satisfactory operational performance. Although patronage continued to be impacted by COVID-19, there is no fare revenue risk according to the terms of this franchise. We continued to make progress on the Sydney Metro City & Southwest project over the first six months of the year.

Growth Outside of Hong Kong

In the first half of the year, we continued to explore opportunities for TOD co-operation in the Greater Bay Area as well as station commercial and related business in Chengdu. We also continued to seek growth opportunities in international markets.

FINANCIAL REVIEW

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

Profit and Loss

HK$ million	Six months ended 30 June 2021	Six months ended 30 June 2020	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Total Revenue	**22,317**	**21,592**	**725**	**3.4**
Recurrent Business (Loss)/Profit[ζ]				
EBIT				
Hong Kong Transport Operations	**(2,285)**	(2,579)	294	11.4
Hong Kong Station Commercial Businesses	**1,145**	1,334	(189)	(14.2)
Hong Kong Property Rental and Management Businesses	**2,067**	2,193	(126)	(5.7)
Mainland of China and International Railway, Property Rental and Management Subsidiaries	**445**	182	263	144.5
Other Businesses, Project Study and Business Development Expenses	**(294)**	(199)	(95)	(47.7)
Share of Profit of Associates and Joint Ventures	**530**	217	313	144.2
Total Recurrent EBIT	**1,608**	1,148	460	40.1
Interest and Finance Charges	**(482)**	(537)	(55)	(10.2)
Income Tax	**(105)**	(155)	(50)	(32.3)
Non-controlling Interests	**(109)**	(23)	86	373.9
Recurrent Business Profit	**912**	**433**	**479**	**110.6**
Property Development Profit (Post-tax)				
Hong Kong	**3,118**	5,171	(2,053)	(39.7)
Mainland of China	**29**	29	–	–
Property Development Profit (Post-tax)	**3,147**	**5,200**	**(2,053)**	**(39.5)**
Underlying Business Profit[ε]	**4,059**	**5,633**	**(1,574)**	**(27.9)**
Investment Property Revaluation Loss	**(1,386)**	(5,967)	(4,581)	(76.8)
Net Profit/(Loss) Attributable to Shareholders of the Company	**2,673**	**(334)**	**3,007**	**n/m**

ζ Recurrent business (loss)/profit represents (loss)/profit from the Group's Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, Mainland of China and international railway, property rental and management businesses, and other businesses.

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

n/m: not meaningful

Total Revenue

Total revenue of the Group for the six months ended 30 June 2021 was HK$22,317 million, increased slightly by 3.4% when compared to the same period in 2020. The increase was mainly due to recovery in the Group's Melbourne, Nordic and Shenzhen operations, as well as higher project revenue from Melbourne, but this was mostly offset by the decrease in revenue from our Hong Kong transport operations ("HKTO") and rental revenue from our Hong Kong station commercial businesses ("HKSC"), as January 2020 was still a normal month before the outbreak of COVID-19, as well as the cessation of project management fee recognition in respect of the Shatin to Central Link Project. Although our domestic patronage in Hong Kong began to show some recovery in the first half of 2021, the prolonged closure of boundaries continued to impact our HKTO and HKSC revenue.

Recurrent Business Profit

Although we are still in the midst of a global pandemic, the Group's recurrent business profit for the six months ended 30 June 2021 increased by HK$479 million to

HK$912 million, mainly due to the recovery from COVID-19 by our operations in the Mainland of China and Australia, as well as cost savings by our operations in Hong Kong.

EBIT

HKTO recorded an EBIT loss of HK$2,285 million for the six months ended 30 June 2021, an improvement of HK$294 million when compared to the same period in 2020. HKTO continued to report a loss mainly due to a nearly 100% loss in patronage for cross-boundary services connecting with the Mainland of China, including the crossings at Lo Wu and Lok Ma Chau stations, Intercity through train and High Speed Rail as all boundaries remained closed, along with a substantial loss in Airport Express patronage as travel restrictions continued to impact airborne travel to and from Hong Kong. When compared with the same period in 2020, EBIT loss shrank marginally by HK$294 million. This was mainly attributed to continued improvement in Domestic Service patronage as workers and students returned to offices and schools and certain social distancing measures were relaxed following the introduction of vaccination programmes, as well as stringent cost control measures implemented by the Group. These factors were offset by the favourable impact of January 2020 when it was still a normal month before the outbreak of COVID-19.

EBIT of HKSC decreased by HK$189 million (14.2%) to HK$1,145 million. HKSC has been adversely impacted by the pandemic since February 2020 when the Group began granting rental concessions to Duty Free shop concession holders and station kiosks in several boundary crossing stations due to station closures, as well as to other station kiosks along the domestic lines due to the impact of the pandemic. The further decrease in EBIT when compared to the same period in 2020 was mainly due to the impact of January 2020, which was still a normal month, rental concessions granted in 2020 but amortised to profit and loss in 2021, and further rental concessions granted and amortised in 2021. The decrease was partly offset by an increase in advertising revenue due to improved market sentiment following the resumption of economic activities and relaxation of social distancing measures.

EBIT of the Hong Kong property rental and management businesses decreased by HK$126 million (5.7%) to HK$2,067 million. The further decrease in EBIT when compared to the same period in 2020 was mainly due to rental concessions granted in 2020 but amortised to profit and loss in 2021, further rental concessions granted and amortised in 2021, and negative rental reversions on renewals and new lets. The decrease was partially offset by full six-month contributions from our new mall, The LOHAS, as well as the remaining economic interests in Telford Plaza II and PopCorn 2 that were acquired by the Group.

Our Mainland of China and international railway, property rental and management business subsidiaries have recovered from the adverse impact of COVID-19 to varying degrees depending on the impact of the pandemic in the different cities where we operate and the business models for different business contracts. When compared to the same period in 2020, EBIT improved by HK$263 million (144.5%) to HK$445 million, which was mainly due to better performance from the Melbourne metropolitan rail network and Sydney Metro North West in Australia, Shenzhen Metro Line 4 in the Mainland of China, and favourable foreign exchange rate impact.

EBIT of other businesses, project study and business development expenses reported a loss of HK$294 million for the six months ended 30 June 2021 compared to a loss of HK$199 million for the same period in 2020. This was mainly due to one-off cost recovery for the Hangzhou project that was not repeated in 2021.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures increased by HK$313 million (144.2%) to HK$530 million for the six months ended 30 June 2021. This was mainly due to improvements in our Hangzhou and Beijing operations, particularly a full six-month contribution from the new Hangzhou Line 5, which started full-line operation in April 2020.

Property Development Profit (Post-tax)

Property development profit (post-tax) decreased from HK$5,200 million to HK$3,147 million for the six months ended 30 June 2021, which was mainly derived from the share of surplus proceeds and income of SEA TO SKY (LOHAS Park Package 8), as well as sales of inventory units.

Investment Property Revaluation Loss

Revaluation of the Group's investment properties in Hong Kong and the Mainland of China, which was performed by independent professional valuation firms, resulted in a revaluation loss of HK$1,386 million, or a 1.6% drop, for the six months ended 30 June 2021. This marginal loss took into account the continued negative rental reversions recorded during the reporting period.

Net Profit Attributable to Shareholders of the Company

Taking into account the Group's recurrent businesses, property development businesses and investment property revaluation, the Group reported a net profit attributable to shareholders of the Company of HK$2,673 million for the six months ended 30 June 2021, compared to a net loss of HK$334 million for the same period in 2020.

Financial Position

HK$ million	**At 30 June 2021**	At 31 December 2020	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Net Assets	**173,672**	176,981	(3,309)	(1.9)
Total Assets	**295,563**	290,574	4,989	1.7
Total Liabilities	**121,891**	113,593	8,298	7.3
Gross Debt^	**46,556**	50,340	(3,784)	(7.5)
Net Debt-to-equity Ratio$^{\delta}$	**15.4%**	22.5%		(7.1)% pts

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

δ *Net debt-to-equity ratio represents net debt of HK$26,674 million (2020: HK$39,887 million), which comprises loans and other obligations, short-term loans, obligations under service concession and loans from holders of non-controlling interests net of cash, bank balances and deposits, and investment in bank medium-term notes in the consolidated statement of financial position as a percentage of the total equity of HK$173,672 million (2020: HK$176,981 million).*

Net Assets

Our financial position remains strong. The Group's net assets decreased by 1.9% to HK$173,672 million as at 30 June 2021 from HK$176,981 million as at 31 December 2020, which was mainly due to the accrual for the 2020 final ordinary dividend for payment in July 2021, and partly offset by net profit recognised for the first half of 2021.

Total Assets

Total assets increased by 1.7% to HK$295,563 million from HK$290,574 million. This was due to an increase in cash balances arising mainly from cash receipts from our Hong Kong property developments.

Total Liabilities

Total liabilities increased by 7.3% to HK$121,891 million from HK$113,593 million. This was mainly due to the accrual for the 2020 final ordinary dividend and the amount received in respect of our Hong Kong property developments, which was partly offset by net repayment of loans.

Gross Debt and Cost of Borrowing

Gross debt of the Group (being loans and other obligations and short-term loans) decreased by 7.5% to HK$46,556 million as at 30 June 2021. Weighted average borrowing cost of the Group's interest-bearing borrowings for the six months ended 30 June 2021 was at 2.2% p.a., compared to 2.6% p.a. for the same period in 2020.

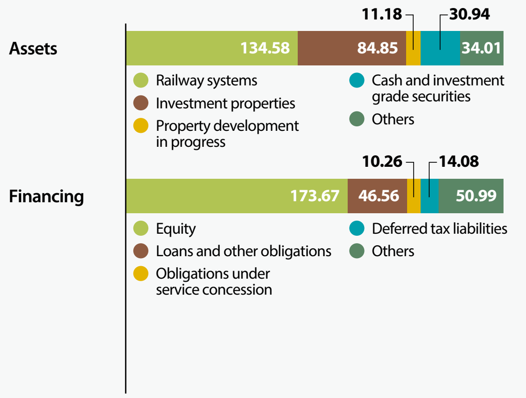
Net Debt-to-equity Ratio

Net debt-to-equity ratio decreased by 7.1% points to 15.4% as at 30 June 2021 from 22.5% as at 31 December 2020. This was mainly due to an increase in cash from our Hong Kong property development business.

Simplified Consolidated Statement of Financial Position

As at 30 June 2021

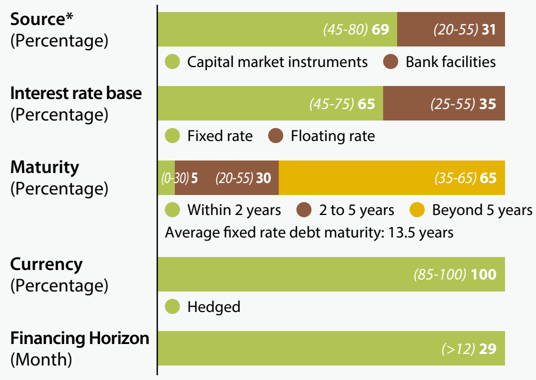
(HK$ billion)



Preferred Financing Model and Debt Profile

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

(Preferred Financing Model) vs. **Actual debt profile**
as at 30 June 2021



* *Bank Facilities includes undrawn committed facilities*

Cash Flow

HK$ million	Six months ended 30 June 2021	2020
Net Cash Generated from/(Used in) Operating Activities after Variable Annual Payment	**3,977**	(1,881)
Net Receipts from Property Development	**12,961**	3,323
Other Net Cash Outflow from Investing Activities	**(4,007)**	(6,120)
Net (Repayment)/Borrowing of Debts, Net of Lease Rental and Interest Payments	**(4,033)**	1,828
Increase/(Decrease) in Cash, Bank Balances and Deposits#	**8,849**	**(2,883)**

Excluding effect of exchange rate change

Net Cash Generated from Operating Activities after Variable Annual Payment

Net cash generated from operating activities after variable annual payment for Hong Kong railway and related operations increased by HK$5,858 million to HK$3,977 million for the six months ended 30 June 2021, from net cash used of HK$1,881 million for the same period in 2020. The increase was mainly due to higher cash used in 2020 for settling the 2019 variable annual payment, higher tax payments in 2020 resulting from the timing difference for 2019 provisional tax payments, and cash received from Government in 2021 in respect of SCL Advance Works Costs and Interface Works and reimbursement of the fare revenue difference for the "20% Rebate for Every Octopus Trip" scheme.

Net Receipts from Property Development

Net receipts from property development were HK$12,961 million, comprising mainly cash receipts from THE SOUTHSIDE, LOHAS Park and Ho Man Tin Station packages.

Other Net Cash Outflow from Investing Activities

Other net cash outflow from investing activities was HK$4,007 million, which mainly included capital expenditure of HK$3,193 million (comprising HK$2,776 million for investments in additional assets for Hong Kong existing railways and related operations, HK$265 million for Hong Kong railway extension projects, HK$89 million for Hong Kong investment properties, and HK$63 million for Mainland of China and overseas subsidiaries). As compared to the same period in 2020, the decrease in cash outflow was mainly due to a one-off payment made for the acquisition of the remaining economic interests in Telford Plaza II and PopCorn 2 in 2020.

Financing Activities

The 10-year US Treasury yield rose sharply from 0.91% p.a. at the beginning of the year to a high of 1.74% p.a. in March alongside stronger growth forecasts, higher inflation expectations and anticipation of an earlier start to central bank policy normalisation. With increasing concerns on the pace of global economic recovery (partly due to the emergence of more infectious variants of the coronavirus, which led to further lockdowns in some countries), the 10-year US Treasury yield came down in the second quarter and closed at 1.47% p.a. at the end of June. The Fed's reaction to incoming economic data and the direction of monetary policy will likely be the focus of market participants in the second half of the year.

While the 10-year Hong Kong dollar swap rate tracked the movements of the 10-year US Treasury yield, the three-month HKD HIBOR fell from 0.35% p.a. at the beginning of the year to 0.17% p.a. at the end of June, reflecting the ample liquidity in the Hong Kong dollar market.

During the first half of 2021, new financing of HK$8.1 billion equivalent was arranged, including HK$5.2 billion of note issuance and HK$2.9 billion of bank loans. HK$4.8 billion of this new financing was arranged under our Sustainable Finance Framework, where the proceeds are earmarked for eligible green investments. Taking advantage of the favourable cross-currency swap rates, the Corporation issued CNH 3.2 billion of CNH notes which, together with the cross-currency swaps, provided the Corporation with HKD funding at very attractive interest rates that reduced overall interest costs.

The Group's consolidated gross debt position at the end of June 2021 was HK$46,556 million, with cash and deposit balance of HK$29,793 million and undrawn committed facilities of more than HK$14 billion.

The weighted average cost of the Group's interest-bearing borrowings over the first six months was 2.2% p.a., compared to 2.6% p.a. for the same period in 2020. As at the end of June 2021, around 65% of the Group's borrowings were fixed-rate borrowings with an average interest rate of 2.5% p.a. and maturity of 13.5 years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At MTR, we are committed to making ESG the cornerstone of our business. We recognise that the biggest impact we can have on society is through our core business, and our Corporate Strategy outlines how we plan on incorporating ESG principles into virtually every facet of the Company as we develop our business and ensure that we meet our many responsibilities – not just to our shareholders, customers and staff, but also to society at large.

As a provider of environmentally friendly mass transit services, we have an important role in helping Hong Kong and our other markets reduce greenhouse gas emissions and achieve carbon-neutrality. For example, the HK$4.8 billion of green financing arranged in the first half of 2021 will fund a variety of railway-related conservation and energy efficiency projects. This year we also launched a "Carbon Wallet" mobile app, which allows users who take carbon-conscious actions to earn points that can be redeemed for green products and services, while the "Carbon Footprint Challenge" on MTR Mobile continues to gain popularity. Both emphasise our Corporate Strategy commitments to the environment as well as innovation.

Our social engagement efforts focus on inclusivity and ensuring that the communities where we operate grow and prosper alongside us. Over the first six months of the year, we organised a number of activities that reached out to youth and the elderly alike, promoted arts appreciation at our stations and facilities, and communicated the importance of railway safety.

To protect the interests of our shareholders and stakeholders, we also remain firmly committed to attaining the highest standards of corporate governance, which ensures that we operate ethically and transparently as we seek to achieve our business goals.

Safety

Our number one priority is safeguarding the well-being of our customers and employees, which is also fundamental to our ability to deliver a world-class public transportation experience. In line with our overall ESG strategy, we regularly review our health and safety practices to ensure that they adhere to global standards as well as those laid out in our Corporate Safety Policy. Through regular training and activities, we also strive to instil a culture of safety among our staff and communicate the importance of railway safety to the general public.

Fighting the pandemic continued to be a major focus of our health and safety efforts during the period under review. Many of the initiatives that we quickly introduced following the outbreak last year – including vaporised hydrogen peroxide robots to deep-clean trains and stations, personal protection equipment vending machines, and COVID-19 specimen collection pack vending machines – remained in place. As at the end of the reporting period, we had also installed 124 lift button sensors at lifts in 59 stations, providing a hygienic non-touch option for passengers.

Over the first six months of the year, the number of reportable incidents on our heavy rail and light rail networks improved (that is, decreased) by 10% compared to the same period in 2020.

Enterprise Risk Management

The unprecedented challenges of the past two years have highlighted the importance and effectiveness of the Company's Enterprise Risk Management framework. We regularly review our risk profile, top risks and key emerging risks to stay prepared for eventualities, and we formulate mitigation measures where appropriate to ensure business continuity, health and safety.

Currently, we are developing a "three lines of defence" framework to further enhance the Company's management of risk. This will enable more robust, pro-active actions at the business unit level and heightened systematic assurance at the Executive and Board levels.

Over the first half of 2021, the top three focuses for risk management included managing the impact of the COVID-19 pandemic on our businesses, customers and staff while also anticipating associated medium- and longer-term challenges; preparing for the full line opening of the Tuen Ma Line; and delivering the Hung Hom to Admiralty Section of the Shatin to Central Link. Various mitigation measures and controls have been implemented, and the Company will closely monitor the risks and develop further mitigation measures as required.

HUMAN RESOURCES

As at 30 June 2021, MTR along with our subsidiaries employed 17,067 people in Hong Kong and 17,076 people outside of Hong Kong. Our associates employed an additional 16,781 people worldwide. Our workforce is stable, with the voluntary staff turnover rate in Hong Kong remaining low at 4.2% during the first half of 2021.

We continue our efforts to enhance talent acquisition, employee engagement and motivation, and talent development through multiple initiatives. We always strive to nurture our talent in line with our business growth and succession needs through diversified training, development and apprenticeship programmes. An average of two training days per staff in Hong Kong were provided during the first six months of the year. To attract, retain and motivate our staff, we provide competitive pay and benefits, short- and long-term incentive schemes, career development opportunities, and performance-based recognitions and rewards.

Our dedicated efforts to connect and respond to our staff result in an engaged workforce. A key focus over the first six months of 2021 was updating our staff on the new Corporate Strategy, "Transforming the Future", in a timely manner and through a variety of communication platforms. Quarterly pulse surveys to assess staff awareness and understanding of our new Corporate Strategy reflected positive experience and feedback on the transformation.

We endeavour to ensure the health, safety and job security of our staff in the midst of the unprecedented challenges of COVID-19. Various wellness programmes, self-learning resources and family-friendly employment practices have been put in place to support our staff's total well-being and equip them for coping with the fast-changing environment.

MTR ACADEMY

The MTR Academy offers accredited programmes and short courses designed to nurture the next generation of railway professionals. It is also an important vehicle for promoting MTR's railway expertise and brand to markets outside of Hong Kong, including the Mainland of China and Belt and Road countries.

In the first half of the year, the Academy added Continuing Professional Development courses in collaboration with various professional bodies and consultants; launched a pilot scheme enabling students to work part-time during their period of study to gain real-world experience; and introduced a Security Training course accredited to Qualification Framework Level 1.

OUTLOOK

The COVID-19 pandemic has brought into even sharper focus how important it is for a company like MTR to have a strong ESG regime in place, especially when we are responsible for delivering critical mass transit services. We have done our utmost to support Hong Kong during these challenging times, working around the clock to ensure service reliability as well as the health and safety of our passengers and staff. We pledge to keep Hong Kong moving with dependable, accessible and affordable service, all the while practising environmental stewardship as we further expand our railway network to connect even more communities. Such efforts lie at the heart of our Corporate Strategy, which will guide us over the coming months and years of our development.

Patronage has improved since the outbreak last year. However, a return to pre-pandemic levels is dependent on economic recovery as well as the reopening of boundaries, which would allow tourist customers to return. Behavioural changes such as work-from-home arrangements, flexible working hours, and walking or using private transport instead of taking rail or bus transit could continue to affect the recovery of domestic patronage, although the opening of the full Tuen Ma Line should have a positive impact moving forward. The success of our mall and station retail business depends in large part on the return of visitors; Duty Free business, for example, is almost completely reliant on tourism, particularly from the Mainland of China. Our station retail and property rental businesses continue to be impacted by negative rental reversions. Advertising revenue is dependent on the economy.

It is difficult to know precisely when cross-boundary business will return, but we are doing everything we can to be ready once it does. Our business recovery plan includes enhanced COVID-19 prevention measures for our trains and stations, as well as extensive pre-opening marketing initiatives to keep our brand and services top of mind. In the meantime, in order to counter the on-going financial impacts of the pandemic and protect shareholder interests, we will continue to review our costs and practise prudent financial responsibility where necessary.

Subject to market conditions, we aim to tender out three property development packages over the next 12 months or so. Subject to approval of land grants for development, we will tender out the Tung Chung Traction Substation and Pak Shing Kok Ventilation Building property development projects. These two packages will supply approximately 2,150 residential units for the Hong Kong property market. We shall also, subject to our entering into a project agreement for the Tung Chung Line Extension with Government, tender out the Tung Chung East Station Package 1 site, which will provide approximately 2,000 residential units together with commercial accommodation. In the meantime, we will continue exploring additional development opportunities along our railways to bring further residential and retail convenience to communities throughout the MTR network.

Despite the challenging economic environment, property pre-sales are progressing well. Pre-sale consent for La Marina (THE SOUTHSIDE Package 2) has been obtained, and the application for pre-sale consent for the Yuen Long Station property development (Phase 1) (where we act as agent for the relevant subsidiary of KCRC) is moving forward. In the second half of 2021, we expect to book profits from LOHAS Park Package 7 and Package 9.

Working under Government's RDS 2014 development framework for expanding Hong Kong's railway network, we will continue to progress the designs of the Tung Chung Line Extension, Tuen Mun South Extension, and Kwu Tung Station and the Northern Link. We will also commence with detailed planning and design for the Hung Shui Kiu Station project.

We continue to explore new opportunities in the Mainland of China and overseas, in particular the Greater Bay Area, in order to further diversify our revenue streams and build the MTR brand globally. This is an important part of our Corporate Strategy, and we expect our Mainland of China, Macao and international businesses to continue playing important roles in our future growth.

I would like to give my heartfelt thanks to the Board for their steadfast support and guidance, and to every one of my colleagues for their tireless work in providing world-class service for our passengers and customers. With our continued efforts, we hope to make the next six months the turning point towards a brighter future.

Dr Jacob Kam Chak-pui
Chief Executive Officer
Hong Kong, 12 August 2021