MTR

Keep Cities Moving

Interim Report 2021

Stock code: 66

2021 INTERIM RESULTS PERFORMANCE HIGHLIGHTS

Recurrent Business Revenue	HK$22.3 billion ▲ 3.2%
Recurrent Business Profit^	HK$0.9 billion ▲ 110.6%
Property Development Profit	HK$3.1 billion ▼ 39.5%
Investment Property Revaluation Loss	HK$1.4 billion (vs HK$6.0 billion revaluation loss for the six months ended 30 June 2020)
Net Profit Attributable to Shareholders of the Company	HK$2.7 billion (vs HK$0.3 billion net loss for the six months ended 30 June 2020)
Interim Ordinary Dividend	HK$0.25 per share (vs HK$0.25 per share of 2020 interim ordinary dividend)
Total Assets	HK$295.6 billion ▲ 1.7% (vs 31 December 2020)
Net Assets	HK$173.7 billion ▼ 1.9% (vs 31 December 2020)
Net Debt-to-Equity Ratio	15.4% ▼ 7.1% pts. (vs 31 December 2020)

^ *including share of results of associates and joint ventures*

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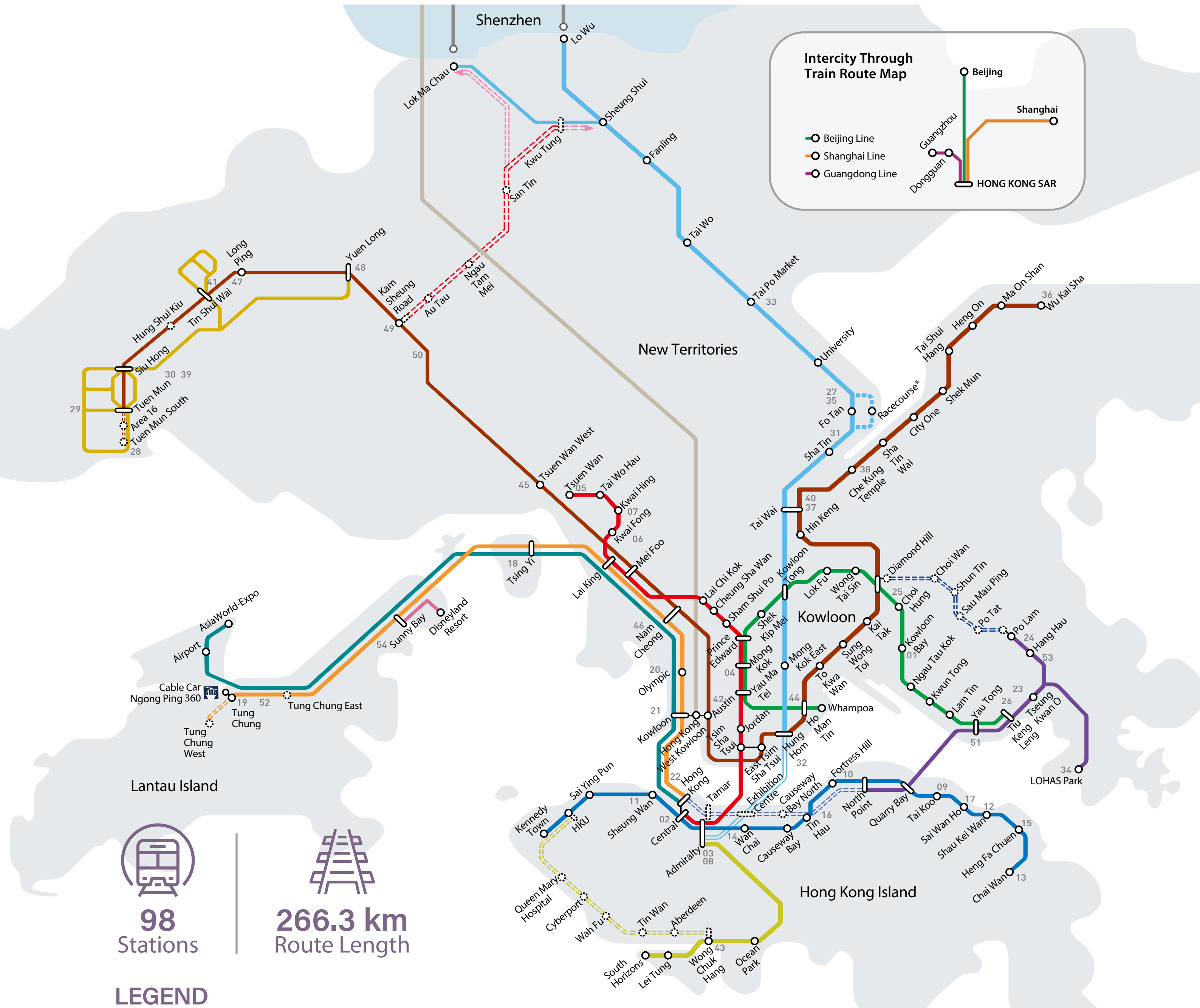
Interim
Report 2021

Cover image: composite photograph at Kai Tak Station

OUR NETWORK

HONG KONG OPERATING NETWORK WITH FUTURE EXTENSIONS



98
Stations

266.3 km
Route Length

LEGEND

- Station
- Interchange Station
- Proposed Station
- Proposed Interchange Station
- Shenzhen Metro Network
- * Racing days only

EXISTING NETWORK

- Airport Express
- Disneyland Resort Line
- East Rail Line
- Island Line
- Kwun Tong Line
- Light Rail
- Tuen Ma Line
- South Island Line
- Tseung Kwan O Line
- Tsuen Wan Line
- Tung Chung Line
- High Speed Rail

PROJECT IN PROGRESS

- Shatin to Central Link (Hung Hom to Admiralty Section)

POTENTIAL FUTURE EXTENSIONS UNDER RAILWAY DEVELOPMENT STRATEGY 2014

- Northern Link and Kwu Tung Station
- Tuen Mun South Extension
- East Kowloon Line
- Tung Chung Line Extension
- Hung Shui Kiu Station
- South Island Line (West)
- North Island Line

PROPERTIES OWNED / DEVELOPED / MANAGED BY THE CORPORATION

01 Telford Gardens / Telford Plaza I and II
02 World-wide House
03 Admiralty Centre
04 Argyle Centre
05 Luk Yeung Sun Chuen / Luk Yeung Galleria
06 New Kwai Fong Gardens
07 Sun Kwai Hing Gardens
08 Fairmont House
09 Kornhill / Kornhill Gardens
10 Fortress Metro Tower
11 Hongway Garden / Infinitus Plaza
12 Perfect Mount Gardens
13 New Jade Garden
14 Southorn Garden
15 Heng Fa Chuen / Heng Fa Villa / Paradise Mall
16 Park Towers
17 Felicity Garden
18 Tierra Verde / Maritime Square 1 / Maritime Square 2
19 Tung Chung Crescent / Citygate / Novotel Citygate / Seaview Crescent / Coastal Skyline / Caribbean Coast
20 Central Park / Island Harbourview / Park Avenue / Harbour Green / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two
21 The Waterfront / Sorrento / The Harbourside / The Arch / Elements / The Cullinan / The Harbourview Place / W Hong Kong / International Commerce Centre / The Ritz-Carlton, Hong Kong
22 One International Finance Centre / Two International Finance Centre / IFC Mall / Four Seasons Hotel / Four Seasons Place
23 Central Heights / The Grandiose / The Wings / PopCorn 1 / PopCorn 2 / Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites
24 Residence Oasis / The Lane
25 No.8 Clear Water Bay Road / Choi Hung Park & Ride
26 Metro Town
27 Royal Ascot / Plaza Ascot
28 Ocean Walk
29 Sun Tuen Mun Centre / Sun Tuen Mun Shopping Centre
30 Hanford Garden / Hanford Plaza
31 Citylink Plaza
32 MTR Hung Hom Building / Hung Hom Station Carpark
33 Trackside Villas
34 The Capitol / Le Prestige / Hemera / Wings at Sea / MALIBU / LP6 / The LOHAS
35 The Palazzo
36 Lake Silver
37 Festival City
38 The Riverpark
39 Century Gateway
42 The Austin / Grand Austin
45 Ocean Pride / Ocean Supreme / PARC CITY / THE PAVILIA BAY / City Point
46 Cullinan West
47 The Spectra / Sol City

PROPERTY DEVELOPMENTS UNDER CONSTRUCTION / PLANNING

34 LOHAS Park Packages
40 Tai Wai Station Packages
41 Tin Wing Stop
43 THE SOUTHSIDE Packages
44 Ho Man Tin Station Packages
51 Yau Tong Ventilation Building
52 Tung Chung Traction Substation
53 Pak Shing Kok Ventilation Building
54 Siu Ho Wan Depot

WEST RAIL LINE PROPERTY DEVELOPMENTS (AS AGENT FOR THE RELEVANT SUBSIDIARIES OF KCRC)

39 Century Gateway
45 Ocean Pride / Ocean Supreme / PARC CITY / THE PAVILIA BAY / City Point
46 Cullinan West
47 The Spectra / Sol City
48 Yuen Long Station
49 Kam Sheung Road Station Packages
50 Pat Heung Maintenance Centre

MAINLAND OF CHINA AND INTERNATIONAL BUSINESSES

MAINLAND OF CHINA AND MACAO

Beijing
Metro Line 4
Metro Line 4 – Daxing Line
Metro Line 14
Metro Line 16
Metro Line 17 (under construction)
Ginza Mall

Hangzhou
Metro Line 1
Metro Line 1 Xiasha Extension
Metro Line 1 Phase 3 (Airport Extension)
Metro Line 5
Metro Line 5 West Extension
Hangzhou West Station Property Development (under construction)

Shenzhen
Metro Line 4
Metro Line 4 North Extension
Metro Line 13 (under construction)
Tiara
TIA Mall

Tianjin
Shopping Mall (under construction)

Macao
Light Rapid Transit Taipa Line

EUROPE

United Kingdom
TfL Rail (future Elizabeth Line)
South Western Railway

Sweden
Stockholm Metro (Stockholms tunnelbana)
MTRX
Stockholm commuter rail (Stockholms pendeltåg)
Mälartåg (service to be taken over)

AUSTRALIA

Melbourne
Metropolitan Rail Service

Sydney
Sydney Metro North West Line
Sydney Metro City & Southwest Line (under construction)

CHAIRMAN'S LETTER

Dear Shareholders and other Stakeholders,

A company's success is usually measured by its financial results, such as its sales or profit generated. At MTR Corporation Limited, however, we also judge our performance on how well we support our communities and add long-term value to the lives of the residents of the cities in which we operate. I am proud to report that, during the first half of 2021, as Hong Kong and the world fought to recover from the effects of the COVID-19 pandemic, MTR continued to go the extra mile to live up to its purpose of keeping cities moving.

Over these six months, we have prioritised the delivery of safe, efficient and on-time services for our passengers. We have striven to ensure the health of our staff and the hygiene of our workplaces. We have also reviewed our fares, ticket offerings and rents to help ease the economic burdens of our customers and retail tenants. None of this would have been possible without the dedication and professionalism of our employees, and I salute each and every one of them for their courageous efforts during these difficult times.

The Company also enjoyed a number of notable business achievements during the period under review. In June 2021, we opened the full Tuen Ma Line – Hong Kong's longest railway line – further enhancing connectivity and linking communities with a seamless new service. We are making progress on the Hung Hom to Admiralty Section of the Shatin to Central Link, while four new railway projects are also moving forward. Our property business awarded tenders for two new development packages. Meanwhile, we continued to improve the customer experience with facility upgrades and new smart mobility initiatives.

On a holistic level, MTR is working hard to transform itself into a more environmentally and socially responsible company, one that can successfully take on the challenges of tomorrow and grow symbiotically and sustainably with the communities it serves. Last year we embarked on our Corporate Strategy transformation journey, "Transforming the Future", which outlines our plan for achieving this goal. By emphasising strengthened environmental, social and governance ("ESG") principles and employing innovation and technology to maintain our world-class levels of service, we are confident that MTR will remain a crucial backbone for Hong Kong as we keep the city moving towards future prosperity.

CORPORATE STRATEGY

Since announcing the launch of our new Corporate Strategy in 2020, we have been moving ahead full steam to turn this blueprint for success into a reality. "Transforming the Future" sets out how we will continue delivering on our fundamental purpose – to Keep Cities Moving – by strengthening three key pillars: further building our core Hong Kong business, expanding our Mainland China and international businesses, and developing a new growth engine in areas such as railway technology and Mobility as a Service to reinforce our businesses for long-term growth.

To build a company that is fit for the future, we must embrace changes by adapting our mindset and being agile enough to respond quickly to shifting trends. Innovation and digitalisation will play important roles in the new world. We are also setting business and social targets that contribute to both the long-term sustainability of our company and the communities that we serve. We continue to shape our organisation around a robust ESG regime that is embedded into our decision-making processes to ensure that we move forward in concert with our communities – providing value to all of our stakeholders and fulfilling aspirations for sustainable growth, environmental protection and societal benefit.

BUSINESS PERFORMANCE AND GROWTH

One of the most important events of the first six months of the year was the commencement of service for the full Tuen Ma Line at the end of June. Linking the eastern New Territories, western New Territories and eastern Kowloon, the 56-km Tuen Ma Line further extends our comprehensive network and marks another important milestone for Hong Kong's railway system. We are pleased that we have been able to commission this service and provide enhanced connectivity to passengers.

Elsewhere, work has continued apace on other important projects. The design of the Tung Chung Line Extension and Tuen Mun South Extension is progressing. For the Northern Link project, a project that will greatly increase transport convenience for the New Territories North, we awarded the consultancy for detailed planning and design of Kwu Tung Station in April and the preliminary design consultancy for the main line and associated stations in July. We were also pleased to be invited by Government in May to proceed with detailed planning and design for Hung Shui Kiu Station, which will serve future populations in the Hung Shui Kiu/Ha Tsuen New Development Area. Regarding the recommendations made in the Commission of Inquiry's reports on the Hung Hom Station Extension of the Shatin to Central Link, the Company has implemented the majority of these and is progressing with the remaining ones.

As a global leader in railway transit, delivering a world-class passenger experience is one of our top priorities. During the period under review, we strived as always to improve our facilities and make travel via MTR as easy as possible for customers of all ages and walks of life. Enhancements to lifts and escalators will make our stations more accessible, while baby care rooms, new and refurbished toilets, improved air conditioning and priority seats on platforms will add comfort to the passenger journey. Recent improvements to our popular MTR Mobile – such as offering more information on platform waiting times and a "Book Taxi" function where passengers can also access taxi services – underscore the importance of innovation to our business and service delivery. We also launched QR code ticketing that gives passengers the option of using MTR Mobile and AlipayHK to pass through entry and exit gates. Of course, public health and safety remained at the top of our minds as the world continued to recover from the COVID-19 pandemic. In addition to keeping our facilities clean and sanitised and safeguarding our staff with personal protective equipment, we also installed lift button sensors to give passengers the option of touch-free access to lifts.

The Company awarded two new property development packages in the first half of the year. In April, we awarded the last phase of THE SOUTHSIDE, Package 6, while THE SOUTHSIDE Package 5 was awarded in January. Subject to market conditions, in the next 12 months or so we plan to tender out property development projects at the Tung Chung Traction Substation and Pak Shing Kok Ventilation Building sites, as well as the Tung Chung East Station Package 1 subject to our entering into a project agreement for the Tung Chung Line Extension with Government.

Mainland of China and international markets are key to MTR's future growth. In the first half of the year, we continued to seek attractive transit-oriented development opportunities outside Hong Kong. We also launched a Global Operations Standard that will leverage our strong capabilities in railway operations to establish a model for the future in the other cities where we operate.

FINANCIAL PERFORMANCE

Although patronage and mall foot traffic improved during the period under review, these figures remained soft compared to pre–COVID-19 levels due to on-going anti-pandemic measures and boundary closures. As a result, profit attributable to equity shareholders arising from our recurrent businesses increased by 110.6% to HK$912 million when compared to the same period last year. Together with profit from our property development businesses, which decreased by 39.5% to HK$3,147 million, profit attributable to shareholders from our underlying businesses was HK$4,059 million, 27.9% lower than the first half of last year. Including the loss arising from the revaluation of our investment properties, the net profit attributable to shareholders of the Company was HK$2,673 million compared to a net loss of HK$334 million in the same period in 2020. Earnings per share after the revaluation loss were HK$0.43. Your Board has declared an interim dividend of HK$0.25 per share, the same as in 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We live in an increasingly interconnected world in which, to be sustainable in the long term, businesses are expected by all of their stakeholders – including their investors – to address material environmental and social issues. Therefore, at a large company like MTR that operates a variety of businesses around the world, strong ESG principles should inform virtually every decision and action that we take. In our Corporate Strategy, "Transforming the Future", we have laid out how we plan on embedding ESG principles within the Corporation to ensure that we deliver value for all of our stakeholders. Our plan covers three key areas: reducing greenhouse gas emissions, promoting social inclusion, and promoting advancement and opportunity for society.

Environmental Aspects

As a global leader in an environmentally friendly form of mass transit, we are well placed to make positive contributions to the fight against climate change. However, we also know that there are things we can do to further reduce the emissions generated by our own operations and help Hong Kong and the world strive to achieve a carbon-neutral future. To this end, we are currently undertaking a decarbonisation study to identify the strategy and steps – and investment – needed for MTR to achieve carbon-neutrality.

In the first half of 2021, we arranged HK$4.8 billion of green finance to support our sustainable development and fund projects that conserve energy, protect the environment, and enhance and expand low-carbon railway services. We launched a solar energy system at our Headquarters Building and commenced pilot tests of different solar photovoltaic systems at Hin Keng Station. Early this year we joined the Environmental Protection Department's one-year Reverse Vending Machine ("RVM") pilot scheme, installing four RVMs at Telford Plaza, Paradise Mall, Admiralty Centre and The LOHAS. These RVMs allow people to return used plastic beverage containers for recycling and receive instant rebates via e-payment. Our brand-new "Carbon Wallet" mobile app promotes carbon reduction across different lifestyle categories, enabling users to earn points based on actions they take to reduce carbon emissions – such as recycling or filling reusable bottles at drinking water stations – which in turn can be redeemed for green products and/or services from MTR business partners.

Social Aspects

MTR serves people of all backgrounds around the world every day. Therefore, social inclusion is at the very heart of who we are. We seek to ensure that our services are accessible and affordable for all; we recognise the benefits of a diverse and inclusive workforce; and we support and seek to recognise – through, for example, our station art programme – the diversity of the communities in which we operate.

Over the past year and a half, as COVID-19 continued to affect the economy and people's livelihoods, we launched a series of special relief measures including giving additional fare rebates to passengers to ensure they could continue taking the journeys they needed. We also provided free Airport Express tickets to healthcare workers needing to travel to AsiaWorld-Expo Station.

Globally, we employ people of over 100 different nationalities, and we want to ensure that they all feel at home at MTR. Our efforts to increase the percentage of women qualifying as train drivers in the UK and Australia have been celebrated, and we will be looking to further increase the diversity of our workforce in Hong Kong.

The pandemic has also not dampened our spirit to promote social inclusion through a number of community and charitable programmes. MTR organised a photography workshop with the Arts with the Disabled Association Hong Kong, during which visually impaired persons could experience the fun of photography and craft their own creative works at Hong Kong West Kowloon Station. In May, the Company arranged a free visit to the Shek Kong Stabling Sidings facilities for ethnic minority families. In June, the Company arranged for some 400 participants from NGOs and community organisations to join the Sung Wong Toi Station Open Day prior to the full opening of the Tuen Ma Line to get an early glimpse of our latest railway facilities.

Our stations and facilities make ideal spaces for celebrating the diversity of the community through the arts. With the service commencement of the full Tuen Ma Line, three new artworks inspired by archaeological finds, residents' precious memories and items misplaced by passengers were introduced in Sung Wong Toi, To Kwa Wan and Hung Hom stations. "Live Living: JCCAC Arts@ MTR", hosted at Central Station, featured more than 40 artworks by eight resident artists from the Jockey Club Creative Arts Centre who used a diverse range of media to portray memories of Hong Kong as home.

Volunteering continues to be a key corporate responsibility commitment to our community, which we fulfilled despite the challenges of COVID-19. In the first half of 2021, we organised 26 volunteering projects to support the underprivileged groups under our "More Time Reaching Community" Scheme. MTR Volunteers also joined the hiking trail clean-up event organised by HandsOn Hong Kong.

Our staff also made monetary contributions to several worthy causes in the first half of 2021, raising more than HK$330,000 in donations for charity. As a result of efforts of similar nature, we received a number of awards from The Community Chest recognising the generosity of our staff. They included the Diamond Award in the Corporate and Employee Contribution Programme, the 4th Top Fundraiser Award in the Employee Contribution Programme, and the 2nd Highest Donation Award in the CARE Scheme under the "Companies & Organisations" category.

In terms of advancement and opportunities, the pandemic has underscored the importance of promoting emotional wellness in the workplace as well as providing work-related or technical training for our staff. To support our staff in these difficult times, we have created an emotional wellness learning portal that includes a self-assessment questionnaire on emotion, wellness videos and e-books, and counselling service information. We are also piloting a work-from-home arrangement to complement the staggered working hours policy introduced last year, thus promoting a family-friendly, progressive and flexible working environment. To fight the pandemic together with the community, the Company, with assistance from Government, arranged COVID-19 vaccination outreach services at Kowloon Bay Depot for our staff and their dependants. The Company was the first public transport operator to participate in COVID-19 vaccination outreach.

We also continue to provide opportunities for our supply chain partners. To help them manage the impact of COVID-19 on their businesses, we provided rental relief to shopping mall and station tenants, focusing on small- and medium-sized tenants. We are also exploring partnerships with several start-up businesses through our work on digitalisation and innovation, recognising that, as we grow, it is beholden on us to create opportunities for others to benefit from that growth and advance themselves or their businesses.

Governance

MTR is committed to practising sound corporate governance in order to fulfil its corporate purpose effectively and protect the interests of its shareholders and stakeholders. We have recently undertaken an externally facilitated board evaluation exercise focused on ensuring that our Board is fit for purpose to support the implementation of the new Corporate Strategy. The recommendations from this review will be discussed at the Board in the coming months. We will continue to review our corporate governance on a regular basis to ensure that our practices meet or exceed global standards.

MTR's overall efforts in sustainability have led the Company to be listed in several top performance indices. We are a constituent of the Dow Jones Sustainability Indices Asia Pacific and a Constituent of the FTSE4Good Index Series. We have also achieved an AAA rating in the MSCI ESG Leaders Indexes and "Prime Status" in the ISS ESG Corporate Rating and were included in the S&P Sustainability Yearbook 2021. In addition, the Company was ranked sixth in the 6th Hong Kong Business Sustainability Index, fifth in the 2nd Greater Bay Area Business Sustainability Index and ninth in the 1st Greater China Business Sustainability Index.

ACKNOWLEDGEMENTS AND APPRECIATION

Although there is still a long road ahead, my fellow members of the Board have done an exceptional job of providing guidance during these difficult times. I am confident that, with their continued leadership, MTR will persevere and emerge from COVID-19 stronger than ever.

I would like to thank Mr James Kwan Yuk-choi and Mrs Lucia Li Li Ka-lai, who retired as Independent Non-executive Directors of the Board on 26 May 2021, for their invaluable contributions to the Company. I also welcome Mr Hui Siu-wai and Mr Adrian Wong Koon-man as Independent Non-executive Directors of the Board, whose appointments were effective from 26 May 2021.

In closing, I would like to applaud my colleagues once again for their efforts to support the recovery of Hong Kong and the global communities we serve. We have learned a number of valuable lessons over the past few years – not least of which are the character and resolve our people demonstrate in the face of adversity – and I believe we are ready to serve the public and our stakeholders even better in the future.

Dr Rex Auyeung Pak-kuen
Chairman
Hong Kong, 12 August 2021

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

	Six months ended 30 June		
HK$ million	**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

HK$ million	Six months ended 30 June 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 Cheong 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	2020	Inc./(Dec.) HK$ million	%
Total Revenue	**22,317**	**21,592**	**725**	**3.4**
Recurrent Business (Loss)/Profit$^{\zeta}$				
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$^{\varepsilon}$	**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.

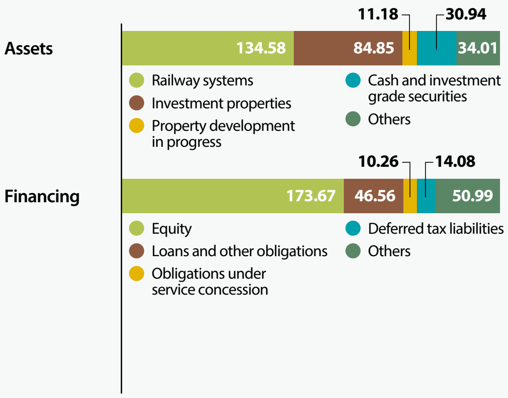
Net Debt-to-equity Ratio

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

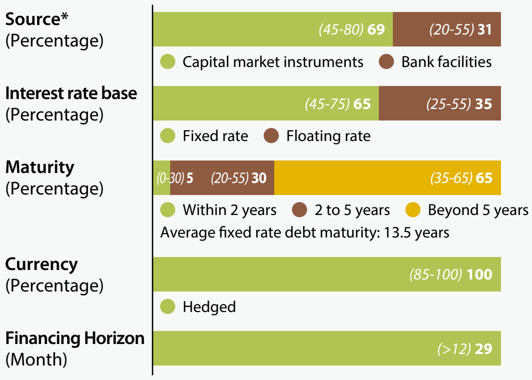
(HK$ billion)



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

KEY FIGURES

	Six months ended 30 June				
	2021		2020		
	HK$ million	**%**	HK$ million	%	Inc./(Dec.)%
Total Revenue					
Recurrent business revenue					
– Hong Kong transport operations	**6,004**	**26.9**	6,234	28.9	(3.7)
– Hong Kong station commercial businesses	**1,496**	**6.7**	1,809	8.4	(17.3)
– Hong Kong property rental and management businesses	**2,511**	**11.3**	2,582	12.0	(2.7)
– Mainland of China and international railway, property rental and management subsidiaries	**12,050**	**54.0**	10,465	48.4	15.1
– Other businesses	**224**	**1.0**	502	2.3	(55.4)
	22,285	**99.9**	21,592	100.0	3.2
Property development business revenue					
– Mainland of China property development	**32**	**0.1**	–	–	n/m
Total revenue	**22,317**	**100.0**	21,592	100.0	3.4
Total EBITDA [1]					
Recurrent business EBITDA					
– Hong Kong transport operations	**251**	**3.3**	106	1.0	136.8
– Hong Kong station commercial businesses	**1,276**	**16.6**	1,549	15.2	(17.6)
– Hong Kong property rental and management businesses	**2,078**	**27.1**	2,203	21.7	(5.7)
– Mainland of China and international railway, property rental and management subsidiaries	**579**	**7.6**	309	3.0	87.4
– Other businesses and project studies and business development expenses	**(260)**	**(3.4)**	(166)	(1.6)	(56.6)
	3,924	**51.2**	4,001	39.3	(1.9)
Property development business EBITDA					
– Hong Kong property development	**3,733**	**48.7**	6,168	60.7	(39.5)
– Mainland of China property development	**7**	**0.1**	(4)	–	n/m
	3,740	**48.8**	6,164	60.7	(39.3)
Total EBITDA	**7,664**	**100.0**	10,165	100.0	(24.6)
Total EBIT [2]					
Recurrent business EBIT					
EBIT					
– Hong Kong transport operations	**(2,285)**	**(42.7)**	(2,579)	(35.3)	11.4
– Hong Kong station commercial businesses	**1,145**	**21.4**	1,334	18.2	(14.2)
– Hong Kong property rental and management businesses	**2,067**	**38.7**	2,193	30.0	(5.7)
– Mainland of China and international railway, property rental and management subsidiaries	**445**	**8.3**	182	2.5	144.5
– Other businesses and project studies and business development expenses	**(294)**	**(5.5)**	(199)	(2.7)	(47.7)
Share of profit of associates and joint ventures	**530**	**9.9**	217	3.0	144.2
	1,608	**30.1**	1,148	15.7	40.1
Property development business EBIT					
– Hong Kong property development	**3,733**	**69.8**	6,168	84.4	(39.5)
– Mainland of China property development	**7**	**0.1**	(4)	(0.1)	n/m
	3,740	**69.9**	6,164	84.3	(39.3)
Total EBIT	**5,348**	**100.0**	7,312	100.0	(26.9)
Interest and finance charges	**(445)**		(499)		(10.8)
Investment property revaluation loss	**(1,386)**		(5,967)		(76.8)
Profit before taxation	**3,517**		846		315.7
Income tax	**(735)**		(1,157)		(36.5)
Profit/(loss) for the period	**2,782**		(311)		n/m
Non-controlling interests	**(109)**		(23)		373.9
Profit/(loss) for the period attributable to shareholders of the Company	**2,673**		(334)		n/m
Profit/(loss) for the period attributable to shareholders of the Company arising from:					
Recurrent businesses	**912**		433		110.6
Property development businesses	**3,147**		5,200		(39.5)
Underlying businesses	**4,059**		5,633		(27.9)
Investment property revaluation loss	**(1,386)**		(5,967)		(76.8)
Total profit/(loss) for the period attributable to shareholders of the Company	**2,673**		(334)		n/m

Notes:

1 *EBITDA represents operating profit/(loss) before depreciation, amortisation, variable annual payment and share of profit of associates and joint ventures.*

2 *EBIT represents profit/(loss) before interest, finance charges and taxation and after variable annual payment.*

n/m: not meaningful

	Six months ended 30 June		
	2021	2020	Inc./(Dec.)%
Financial ratios			
EBITDA margin(3) *(in %)*	**17.6**	18.5	(0.9)% pt.
EBITDA margin(3) (excluding Mainland of China and international subsidiaries$^{\delta}$) *(in %)*	**32.7**	33.2	(0.5)% pt.
EBIT margin(4) *(in %)*	**4.9**	4.3	0.6 % pt.
EBIT margin(4) (excluding Mainland of China and international subsidiaries$^{\varphi}$) *(in %)*	**6.2**	6.7	(0.5)% pt.
Net debt-to-equity ratio(5) *(in %)*	**15.4**	22.5^	(7.1)% pts.
Interest cover(6) *(times)*	**12.1**	14.2	(2.1) times
Share information			
Basic earnings/(loss) per share *(in HK$)*	**0.43**	(0.05)	n/m
Basic earnings per share arising from underlying businesses *(in HK$)*	**0.66**	0.92	(28.3)
Ordinary dividend per share *(in HK$)*	**0.25**	0.25	–
Share price *(in HK$)*	**43.25**	43.35^	(0.2)
Market capitalisation *(HK$ million)*	**267,427**	267,943^	(0.2)
Operations highlights			
Total passenger boardings for Hong Kong *(million)*			
Domestic Service	**646.1**	553.6	16.7
Cross-boundary Service	**0.2**	7.4	(96.7)
High Speed Rail	**–**	1.1	n/m
Airport Express	**1.0**	2.1	(53.2)
Light Rail and Bus	**88.6**	73.0	21.4
Average number of passengers *(thousand)*			
Domestic Service *(weekday)*	**3,849.5**	3,321.1	15.9
Cross-boundary Service *(daily)*	**1.3**	40.6	(96.7)
High Speed Rail *(daily)*	**–**	35.6#	n/m
Airport Express *(daily)*	**5.4**	11.4	(53.0)
Light Rail and Bus *(weekday)*	**510.4**	416.3	22.6
Average fare *(in HK$)*			
Domestic Service	**7.61**	8.20	(7.2)
Cross-boundary Service	**10.15**	27.85	(63.6)
High Speed Rail	**–**	85.53	n/m
Airport Express	**53.08**	51.63	2.8
Light Rail and Bus	**3.02**	3.33	(9.3)
Proportion of franchised public transport boardings (January to May) *(in %)*	**46.2**	44.6	1.6% pts.

Notes:

3 *EBITDA margin represents total EBITDA (excluding profit on Hong Kong property development) as a percentage of total revenue.*

4 *EBIT margin represents total EBIT (excluding profit on Hong Kong property development and share of profit of associates and joint ventures) as a percentage of total revenue.*

5 *Net debt-to-equity ratio represents 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 total equity.*

6 *Interest cover represents operating profit before depreciation, amortisation, variable annual payment and share of profit of associates and joint ventures divided by gross interest and finance charges before capitalisation, and utilisation of government subsidy for Shenzhen Metro Line 4 operation.*

δ *Excluding the relevant revenue and expenses of Mainland of China and international subsidiaries of HK$12,082 million and HK$11,496 million (2020: HK$10,465 million and HK$10,160 million) respectively*

φ *Excluding the relevant revenue, expenses, depreciation and amortisation of Mainland of China and international subsidiaries of HK$12,082 million, HK$11,496 million and HK$134 million (2020: HK$10,465 million, HK$10,160 million and HK$127 million) respectively*

^ *Figures as at 31 December 2020*

Average of 1 January 2020 to 29 January 2020

CORPORATE GOVERNANCE AND OTHER INFORMATION

MEMBERS OF THE BOARD, THE BOARD COMMITTEES AND THE EXECUTIVE DIRECTORATE

List of Members of the Board and the Executive Directorate and their Roles and Functions (as at 12 August 2021)

		Board Committees					
	Executive Committee	Audit Committee	Nominations Committee	Remuneration Committee	Capital Works Committee	Risk Committee	Corporate Responsibility Committee
Members of the Board							
Non-executive Directors ("NED")							
Dr Rex Auyeung Pak-kuen (Chairman)			M	M			C
Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury)			M	M			
Secretary for Transport and Housing (Frank Chan Fan)			M	M			
Permanent Secretary for Development (Works) (Lam Sai-hung)					M	M	
Commissioner for Transport (Rosanna Law Shuk-pui)		M				M	
Independent Non-executive Directors ("INED")							
Andrew Clifford Winawer Brandler		M				C	
Dr Bunny Chan Chung-bun							M
Walter Chan Kar-lok			M				M
Dr Pamela Chan Wong Shui			C				M
Dr Dorothy Chan Yuen Tak-fai				C	M		
Cheng Yan-kee				M	C		
Dr Anthony Chow Wing-kin				M	M		
Dr Eddy Fong Ching		C	M				
Hui Siu-wai					M	M	
Dr Rose Lee Wai-mun		M				M	
Jimmy Ng Wing-ka					M		M
Benjamin Tang Kwok-bun				M		M	
Adrian Wong Koon-man		M	M				
Johannes Zhou Yuan		M				M	
Executive Director							
Dr Jacob Kam Chak-pui (Chief Executive Officer)	C						M
Members of the Executive Directorate							
Dr Jacob Kam Chak-pui (Chief Executive Officer)	C						M
Adi Lau Tin-shing (Managing Director – Mainland China Business and Global Operations Standards)	M						
Roger Francis Bayliss (Capital Works Director)	M						
Margaret Cheng Wai-ching (Human Resources Director)	M						M
Linda Choy Siu-min (Corporate Affairs and Branding Director)	M						
Herbert Hui Leung-wah (Finance Director)	M						
Dr Tony Lee Kar-yun (Operations Director)	M						
Gillian Elizabeth Meller (Legal and Governance Director)	M						M
David Tang Chi-fai (Property and International Business Director)	M						
Jeny Yeung Mei-chun (Hong Kong Transport Services Director)	M						

C: Chairman of the committee
M: Member of the committee

Strong governance is critical for the Company in achieving its vision and fulfilling its purpose, and doing so in a way that delivers long term sustainable value for all of its stakeholders. Corporate governance is the collective responsibility of the Members of the Board and the Board firmly believes that good corporate governance is fundamental in ensuring the proper management of the Company in the interests of all of its stakeholders. The Board actively seeks opportunities for continuous improvement in the area of corporate governance and takes prompt action in responding to identified improvement opportunities.

CORPORATE GOVERNANCE CODE COMPLIANCE

During the six months ended 30 June 2021, the Company has complied with the Code Provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BUSINESS ETHICS

Practising integrity and responsible business ethics is paramount to the Company's continued success. The Company's Code of Conduct lays down the requirements of the Company in terms of ethical practices and obliges staff to operate transparently and under the highest principles of fairness, impartiality and integrity in all of the places where the Company does business.

The Code of Conduct is reviewed and updated periodically to ensure appropriateness and compliance with corporate and regulatory requirements. Following the release of an updated Code of Conduct in July 2020, a new series of staff awareness programmes has been launched featuring animation videos and interactive games with real life examples to help staff members better understand the principles of the Code and if certain acts are unlawful or unacceptable. A total of four modules under the themes of Outside Work, Workplace Harassment, Proper Use of Departmental Funds and Use of Social Media have been launched from July 2020 to April 2021. Other education programmes, including seminars and mandatory online training programmes have also been introduced to raise staff awareness.

Staff members are encouraged to report existing or perceived violations of the Code of Conduct as well as malpractices. Proper procedures related to the whistleblowing policy of the Company are also in place, enabling staff members to raise their concerns in a safe environment and in complete confidence if they have genuine suspicions about any wrongdoings.

To assist new recruits in embracing the Company's values and ethical commitments, they are briefed on the Code of Conduct during the staff induction programme. New recruits are also required to complete the mandatory online training programmes within three months of joining the Company. The Code of Conduct is available on the Company's website (www.mtr.com.hk).

In addition, the Code of Conduct serves as a guideline for establishing a comparable ethical culture among our subsidiaries and associates in Hong Kong, Macao, the Mainland of China and overseas.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code"). After having made specific enquiry, the Company confirms that all Members of the Board and (where applicable) their Alternate Directors and all Members of the Executive Directorate have complied with the Model Code throughout the six months ended 30 June 2021.

Senior managers, other nominated managers and staff who, because of their office in the Company, may be in possession of Inside Information (which term shall bear the same meaning as in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) of the Company (collectively the "Model Code Managers"), have also been requested to comply with the provisions of the Model Code.

For enhanced monitoring and effectiveness, the Company has implemented a Model Code Managers Management System to provide one-stop access to the relevant key processes to support compliance with the Model Code. Periodic training is also required to be completed by Model Code Managers.

CHANGES DURING THE PERIOD FROM 1 JANUARY 2021 TO 12 AUGUST 2021

Changes in Composition of the Board

1. Mr James Kwan Yuk-choi retired as an INED and ceased to be a member of each of the Capital Works Committee and the Risk Committee of the Company, all with effect from the conclusion of the Company's Annual General Meeting held on 26 May 2021 (the "2021 AGM").
2. Mrs Lucia Li Li Ka-lai retired as an INED and ceased to be a member of each of the Audit Committee and the Nominations Committee of the Company, all with effect from the conclusion of the 2021 AGM.
3. Mr Hui Siu-wai was elected as a Member of the Board and became an INED with effect from the conclusion of the 2021 AGM, and was appointed by the Board as a member of each of the Capital Works Committee and the Risk Committee of the Company with effect from the same date.
4. Mr Adrian Wong Koon-man was elected as a Member of the Board and became an INED with effect from the conclusion of the 2021 AGM, and was appointed by

the Board as a member of each of the Audit Committee and the Nominations Committee of the Company with effect from the same date.

Changes of Alternate Directors

1. Ms Alice Lau Yim ceased to be an Alternate Director to Mr Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury), a NED, with effect from 26 July 2021.
2. Miss Cathy Chu Man-ling (Permanent Secretary for Financial Services and the Treasury (Treasury)) was appointed by Mr Christopher Hui Ching-yu, a NED, as his Alternate Director with effect from 9 August 2021.

Changes in Composition of the Executive Directorate

1. In early 2021, the Board has undertaken a review of the Company's corporate strategy, with a view to ensuring the sustainable growth of the Company in the future and the continued delivery of high quality public transport and property services to its customers in Hong Kong and in the other cities in which it operates (the "New Strategy"). To support the implementation of the New Strategy, the following new management organisation has been put in place by phases with the intention of clarifying accountability for the delivery of the New Strategy and strengthening the Company's internal control and risk management framework:
   (i) Mr David Tang Chi-fai was appointed as the Property and International Business Director and ceased to be the Property and Australian Business Director of the Company, both with effect from 22 February 2021.
   (ii) Mr Roger Francis Bayliss was appointed as the Capital Works Director and ceased to be the Projects Director of the Company, both with effect from 22 February 2021.
   (iii) Ms Gillian Elizabeth Meller was appointed as the Legal and Governance Director and ceased to be the Legal and European Business Director of the Company, both with effect from 22 February 2021.
   (iv) Mr Adi Lau Tin-shing was appointed as the Managing Director – Mainland China Business and Global Operations Standards and ceased to be the Managing Director – Operations and Mainland Business of the Company, both with effect from 1 July 2021.
   (v) Ms Jeny Yeung Mei-chun was appointed as the Hong Kong Transport Services Director and ceased to be the Commercial Director of the Company, both with effect from 1 July 2021.
   (vi) Ms Linda Choy Siu-min was appointed as the Corporate Affairs and Branding Director and ceased to be the Corporate Affairs Director of the Company, both with effect from 1 July 2021.
   (vii) Ms Meller was appointed as a member of the Corporate Responsibility Committee of the Company and Ms Choy ceased to be a member of the Corporate Responsibility Committee of the Company, both with effect from 6 July 2021.
2. Dr Peter Ronald Ewen retired as the Engineering Director and ceased to be a Member of the Executive Directorate of the Company, both upon the completion of his service agreement with the Company immediately after 21 February 2021.

Changes in Information of Directors

Changes in information of Directors required to be disclosed pursuant to the Listing Rules are set out below:

Changes in Biographical Details

Name	Change(s)	Nature and Effective Date of Change(s)
Dr Bunny Chan Chung-bun	Council for Sustainable Development (Hong Kong) • Member	Cessation (1 March 2021)
	Kowloon Federation of Associations • President	Cessation (May 2021)
	Grand Bauhinia Medal awarded by the Chief Executive of the Hong Kong Special Administrative Region (the "HKSAR")	Award (1 July 2021)
Dr Dorothy Chan Yuen Tak-fai	The Chartered Institute of Logistics and Transport • Advisor to the Council of Trustees	Appointment (9 June 2021)
Cheng Yan-kee	Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials (Hong Kong) • Member	Appointment (1 July 2021)
Dr Anthony Chow Wing-kin	Beijing North Star Company Limited • Independent Non-executive Director	Appointment (13 May 2021)
Dr Rose Lee Wai-mun	The Hang Seng University of Hong Kong • Doctorate of Social Science, *honoris causa*	Conferment (2021)
Lam Sai-hung	Gold Bauhinia Star medal awarded by the Chief Executive of the HKSAR	Award (1 July 2021)
Jimmy Ng Wing-ka	Independent Police Complaints Council (Hong Kong) • Vice-Chairman	Appointment (1 January 2021)
	Trade and Industry Department (Hong Kong) • Member of the Small and Medium Enterprises Committee	Cessation (1 January 2021)
	Mandatory Provident Fund Schemes Authority (Hong Kong) • Non-executive Director	Appointment (17 March 2021)

Name	Change(s)	Nature and Effective Date of Change(s)
Dr Jacob Kam Chak-pui	International Association of Public Transport ("UITP") • Chairman of the Regional and Suburban Railways Division	Cessation (19 June 2021)
	Justice of the Peace (Hong Kong)	Appointment (1 July 2021)
Adi Lau Tin-shing	UITP • Senior Vice President of the Asia-Pacific Division • Vice President of the Asia-Pacific Committee	Appointment (19 June 2021) Cessation (19 June 2021)
Margaret Cheng Wai-ching	Employees Retraining Board (Hong Kong) • Member • Honorary Advisor of the ERB Manpower Developer Award Scheme	Appointment (1 April 2021) Cessation (20 April 2021)
	The Standing Committee on Directorate Salaries and Conditions of Service (Hong Kong) • Member	Appointment (1 April 2021)
	Justice of the Peace (Hong Kong)	Appointment (1 July 2021)
Linda Choy Siu-min	Community Involvement Committee on Greening (Hong Kong) • Non-official Member	Appointment (1 March 2021)
Dr Tony Lee Kar-yun	The Hong Kong Institution of Engineers • Member of the Electrical Discipline Advisory Panel	Cessation (1 July 2021)
	The University of Hong Kong • Member of the Advisory Committee of the Department of Electrical and Electronic Engineering	Appointment (13 July 2021)
David Tang Chi-fai	Octopus Holdings Limited and two members of the Octopus Holdings Limited group • Director and Alternate Director	Cessation (1 March 2021)
Jeny Yeung Mei-chun	Octopus Holdings Limited and two members of the Octopus Holdings Limited group • Director	Appointment (1 March 2021)
	The Hong Kong Housing Authority • Non-official Member of the Commercial Properties Committee	Appointment (1 April 2021)
	The Hong Kong Management Association • Member of the Marketing Management Committee	Cessation (8 July 2021)
	Hong Kong Trade Development Council • Member of the Infrastructure Development Advisory Committee	Cessation (14 July 2021)

Full biographical details of the Directors are available on the Company's website (www.mtr.com.hk).

INDUCTION PROGRAMME, TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment, each new Member of the Board (including Government nominated Directors), Alternate Director and Member of the Executive Directorate is given a comprehensive, formal and tailored induction programme which covers:

- the roles of a director from the strategic, planning and management perspectives, as well as the essence of corporate governance and the trends in these areas; and
- the general and specific duties of a director under general law (common law and legislation) and the Listing Rules.

In addition to the above, a familiarization programme to understand the key areas of the Company's business and operations is provided.

Induction and familiarization programmes have been or will be provided to Mr Hui Siu-wai and Mr Adrian Wong Koon-man, the new Members of the Board; and Miss Cathy Chu Man-ling, the new Alternate Director.

To assist Members of the Board and the Executive Directorate in continuing their professional development, the Company Secretary recommends them to attend relevant seminars and courses at the cost of the Company.

Save for the above, materials on the subject of corporate governance and e-learning provided by The Stock Exchange of Hong Kong Limited (the "HKSE") are also provided/notified to Members of the Board, Alternate Directors and Members of the Executive Directorate from time to time to keep them abreast of latest developments on this front.

BOARD MEETINGS

The Board held four meetings (three Regular Meetings and one Special Meeting) during the six months ended 30 June 2021.

Regular Meetings

At the Regular Meetings, the Board reviewed, discussed and, where appropriate, approved matters relating to the Company's different businesses and financial and operational performance. In addition, other key matters discussed at these Regular Meetings included:

- Corporate Strategy:
  - Receipt of progress report on the corporate transformation programme;
- Corporate Governance matters, including:
  - Annual review of the structure, size and composition of the Board and its corporate governance functions for 2020; annual assessment of (i) the independence of the INEDs; and (ii) the effectiveness of the Company's risk management and internal control systems for 2020;

- Recommendation of the appointment of new Members of the Board, re-election of retiring Members of the Board, and amendments to the Company's Articles of Association for approval by shareholders at the 2021 AGM;
- Approval of changes to the composition of Board Committees and annual update to the Directors' Manual; and
- Receipt and consideration of reports from Management on key matters such as corporate safety, enterprise risk management and sustainability;

- Operations:
  - Review of 2020 train service performance;
  - Receipt of a report on the performance of the East Rail Line's new Signalling System and Mixed Fleet Operations; and
  - Approval of agreements relating to the operation of Tuen Ma Line Phase 2;
- Projects:
  - Approval of budget for the design consultancy, advance investigation works and project management cost for the Northern Link project;
- Mainland of China and International Business:
  - Receipt of business updates on Macao, Mainland of China and International Businesses;
- Property:
  - Approval of tender arrangements for property developments in Hong Kong; and
  - Receipt of update on the Siu Ho Wan Depot property development and approval of the related budget for the detailed design, advance works design and project management cost;
- Commercial and Marketing:
  - Approval of the Company's fare adjustment principles in 2021 under the Fare Adjustment Mechanism (the "FAM"); and
  - Approval of the Company's fares proposal for 2021 under the FAM;
- Financial:
  - Review and approval of 2020 Annual Report and Accounts; and
  - Receipt of regular updates on the financial impact of the Coronavirus Disease 2019 ("COVID-19").

Special Meeting

One Special Meeting was held to consider matters, including a further capital injection into an international business as a result of the impact of COVID-19 on that business and the approval of the Company's participation in the tender for a property development site in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

Annual General Meeting

The Company's 2021 AGM was held on 26 May 2021. The Chairman continued his practice of proposing separate resolutions for each substantially separate matter.

A total of 12 resolutions were passed at the 2021 AGM (with resolution no. 3 comprising four separate resolutions), each supported by over 99% of the votes cast. The full text of the resolutions is set out in the 2021 AGM Circular (which comprised the Notice of the 2021 AGM) dated 16 April 2021.

All resolutions at the 2021 AGM were passed by way of a poll, and the poll results were posted on the respective websites of the Company (www.mtr.com.hk) and the HKSE on the same day after the 2021 AGM.

In light of the continuing COVID-19 pandemic and the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Cap. 599G of the Laws of Hong Kong), the Company continued to implement a number of precautionary measures for the 2021 AGM, including restricting the number of shareholders who could physically attend the 2021 AGM through pre-registration and requiring submission of questions in advance of the 2021 AGM. For the benefit of the Company's shareholders who were unable to physically attend the 2021 AGM, the Company arranged a live webcast of the AGM with choices of language (Cantonese, English and Putonghua). A webcast of the whole proceedings was also posted on the Company's website for viewing.

CONSTITUTIONAL DOCUMENT

With a view to meeting its obligations to safeguard the health and safety of shareholders attending general meetings while, at the same time, protecting shareholders' fundamental rights to attend such meetings, ask questions and vote, certain amendments to the Company's Articles of Association were proposed to and approved by shareholders at the 2021 AGM, including (i) providing greater flexibility for the Company in holding general meetings as hybrid meetings and conducting general meetings at more than one location where shareholders of the Company can participate using electronic facilities, in addition to/instead of attending physically; (ii) empowering the Board and the chairman of general meetings to make necessary arrangements for managing shareholders' attendance and/or participation and/or voting at general meetings; (iii) simplifying the calculation of the relevant value of scrip dividends under the Company's scrip dividend scheme in force from time to time; (iv) providing additional means for directors to approve written resolutions; and (v) making housekeeping amendments to align the Company's Articles of Association with the Companies Ordinance. The approved and adopted Articles of Association of the Company (in both English and Chinese) are available on the websites of both the Company (www.mtr.com.hk) and the HKSE.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, the interests or short positions of the Members of the Board and the Executive Directorate in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code, were as follows:

Members of the Board/ Alternate Directors/ Members of the Executive Directorate	No. of ordinary shares held		No. of share options	No. of award shares#		Percentage of aggregate interests to total no. of voting shares in issueΔ
	Personal interests*	Family interests†	Personal interests*	Personal interests*	Total interests	
Dr Jacob Kam Chak-pui	465,038	–	–	447,884	912,922	0.01476
Dr Pamela Chan Wong Shui	9,072	1,675 (Note)	–	–	10,747	0.00017
Cheng Yan-kee	–	2,000 (Note)	–	–	2,000	0.00003
Dr Rose Lee Wai-mun	3,350	–	–	–	3,350	0.00005
Adrian Wong Koon-man	–	558 (Note)	–	–	558	0.00001
Alice Lau Yim	1,116	–	–	–	1,116	0.00002
Maurice Loo Kam-wah	588	–	–	–	588	0.00001
Mak Shing-cheung	558	8,058 (Note)	–	–	8,616	0.00014
Dr Raymond So Wai-man	–	1,675 (Note)	–	–	1,675	0.00003
Adi Lau Tin-shing	197,380	–	–	99,035	296,415	0.00479
Roger Francis Bayliss	30,886	–	–	83,067	113,953	0.00184
Margaret Cheng Wai-ching	190,381	–	–	92,452	282,833	0.00457
Linda Choy Siu-min	–	–	–	61,350	61,350	0.00099
Herbert Hui Leung-wah	110,936	2,233 (Note)	–	87,417	200,586	0.00324
Dr Tony Lee Kar-yun	107,221	–	–	74,502	181,723	0.00294
Gillian Elizabeth Meller	180,973	–	–	84,568	265,541	0.00429
David Tang Chi-fai	267,695	–	–	91,684	359,379	0.00581
Jeny Yeung Mei-chun	738,813	–	–	92,267	831,080	0.01344

Note: As at 30 June 2021, these shares were held by the Director's spouse.

\# *Details of the award shares are set out in the section headed "Executive Share Incentive Scheme" on pages 42 to 44*

* *Interests as beneficial owner*

† *Interests of spouse or child under 18 as beneficial owner*

Δ *The Company's total number of voting shares in issue as at 30 June 2021 was 6,183,275,373*

Save as disclosed above and in the sections headed "2007 Share Option Scheme" and "Executive Share Incentive Scheme":

A as at 30 June 2021, no Member of the Board or the Executive Directorate of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and

B during the six months ended 30 June 2021, no Member of the Board or the Executive Directorate of the Company nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them,

as recorded in the register kept by the Company under section 352 of the SFO or otherwise notified to the Company and the HKSE pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Set out below is the name of the party which was interested in 5% or more of all the Company's voting shares in issue and the number of shares in which it was interested as at 30 June 2021 as recorded in the register kept by the Company under section 336 of the SFO:

Name	No. of ordinary shares held	Percentage of ordinary shares to all the voting shares in issue[Δ]
The Financial Secretary Incorporated ("FSI") (in trust on behalf of Government)	4,634,173,932	74.95%

Δ *The Company's total number of voting shares in issue as at 30 June 2021 was 6,183,275,373*

The Company has been informed by the Hong Kong Monetary Authority that, as at 30 June 2021, approximately 0.28% of the ordinary shares of the Company in issue (not included in the FSI shareholding set out in the above table) were held for the account of the Exchange Fund. The Exchange Fund is a fund established under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) under the control of the Financial Secretary.

OTHER PERSONS' INTERESTS

Pursuant to section 337 of the SFO, the Company has maintained a register recording the shareholding information provided by persons in response to the Company's requests pursuant to section 329 of the SFO.

Save as disclosed above and in the sections headed "Directors' Interests in Shares and Underlying Shares of the Company" and "Substantial Shareholders' Interests", as at 30 June 2021, the Company has not been notified of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

2007 SHARE OPTION SCHEME

Movements in the outstanding share options to subscribe for ordinary shares of the Company granted under the 2007 Share Option Scheme during the six months ended 30 June 2021 are set out below:

Member of the Executive Directorate and eligible employees	Date granted	Options granted (Notes 1 to 4)	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2021	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK$)	Options outstanding as at 30 June 2021 (Note 4)	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK$)
Dr Tony Lee Kar-yun	30/5/2014	71,500	23/5/2015 – 23/5/2021	47,500	–	–	47,500	28.65	–	43.95
Other eligible employees	30/5/2014	19,812,500	23/5/2015 – 23/5/2021	2,300,000	–	–	2,300,000	28.65	–	44.41

Notes:

1 *No option may be exercised later than seven years after its date of offer and no option may be offered to be granted more than seven years after the adoption of the 2007 Share Option Scheme on 7 June 2007. The 2007 Share Option Scheme expired at 5.00 p.m. on 6 June 2014, with no further option granted since then.*

2 *The exercise price of the share options is determined upon the offer of grant of the options and should not be less than the greatest of (a) the average closing price per share of the Company for the five business days immediately preceding the date of offer of such options; (b) the closing price per share of the Company on the date of offer of such options, which must be a business day; and (c) the nominal value per share of the Company immediately before 3 March 2014.*

3 *The share options granted were subject to a vesting schedule in tranches of one-third each per annum starting from the first anniversary of the date of offer of the options (the "Offer Anniversary") and became fully vested on the third Offer Anniversary.*

4 *All share options granted under the 2007 Share Option Scheme have either been exercised or lapsed as at 30 June 2021.*

EXECUTIVE SHARE INCENTIVE SCHEME

The Company adopted the Executive Share Incentive Scheme with effect from 1 January 2015 ("Effective Date") for a term of ten years. The purposes of the Executive Share Incentive Scheme are to retain management and key employees, to align participants' interests with the long-term success of the Company and to drive the achievement of strategic objectives of the Company.

The maximum number of award shares that may at any time be the subject of an outstanding award granted under the Executive Share Incentive Scheme shall not exceed 2.5% of the number of issued ordinary shares of the Company as at the Effective Date and the maximum number of award shares that may be granted to a single eligible employee in the 12-month period up to the relevant award date shall be 0.03% of the number of issued ordinary shares of the Company on the relevant award date.

In general, the Company will pay to the third party trustee (currently Computershare Hong Kong Trustees Limited) (the "Trustee") monies and may give directions or a recommendation to the Trustee to apply such amount of monies and/or such other net amount of cash derived from the ordinary shares of the Company held as part of the funds of the trust to acquire existing ordinary shares of the Company from the market. Such ordinary shares will be held on trust by the Trustee for the relevant award holders.

Further details on the operation of the Executive Share Incentive Scheme are set out in the section headed "Long-Term Incentives" under the Remuneration Committee Report (pages 135 to 136) and notes 11C and 41(ii) to the Consolidated Accounts of the Company's 2020 Annual Report (www.mtr.com.hk).

The particulars of the award shares granted are as follows:

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1)		Award shares outstanding as at 1 January 2021	Award shares vested during the period	Award shares lapsed and/or forfeited during the period	Award shares outstanding as at 30 June 2021
		Restricted shares (Note 2)	Performance shares (Note 3)				
Dr Jacob Kam Chak-pui	10/4/2018	25,550	50,450	58,968	43,328	15,640	–
	1/4/2019	120,000	–	120,000	–	–	120,000
	8/4/2019	47,400	91,750	123,350	79,107	28,443	15,800
	8/4/2020	89,300	–	89,300	29,766	–	59,534
	8/4/2021	52,750	199,800	–	–	–	252,550
Adi Lau Tin-shing	10/4/2018	16,450	50,450	55,934	40,294	15,640	–
	8/4/2019	16,250	–	10,834	5,416	–	5,418
	8/4/2020	39,100	–	39,100	13,033	–	26,067
	8/4/2021	19,700	47,850	–	–	–	67,550
Roger Francis Bayliss	8/4/2019	–	30,150	30,150	20,803	9,347	–
	8/4/2020	30,250	–	30,250	10,083	–	20,167
	8/4/2021	15,050	47,850	–	–	–	62,900
Margaret Cheng Wai-ching	10/4/2018	17,600	50,450	56,318	40,678	15,640	–
	8/4/2019	16,550	–	11,034	5,516	–	5,518
	8/4/2020	32,450	–	32,450	10,816	–	21,634
	8/4/2021	17,450	47,850	–	–	–	65,300
Linda Choy Siu-min	8/4/2021	13,500	47,850	–	–	–	61,350
Herbert Hui Leung-wah	10/4/2018	14,200	50,450	55,184	39,544	15,640	–
	8/4/2019	13,800	–	9,200	4,600	–	4,600
	8/4/2020	29,050	–	29,050	9,683	–	19,367
	8/4/2021	15,600	47,850	–	–	–	63,450
Dr Tony Lee Kar-yun	10/4/2018	7,900	10,500	13,134	9,879	3,255	–
	8/4/2019	8,300	–	5,534	2,766	–	2,768
	8/4/2020	15,500	–	15,500	5,166	–	10,334
	8/4/2021	13,550	47,850	–	–	–	61,400
Gillian Elizabeth Meller	10/4/2018	16,050	50,450	55,800	40,160	15,640	–
	8/4/2019	13,400	–	8,934	4,466	–	4,468
	8/4/2020	27,000	–	27,000	9,000	–	18,000
	8/4/2021	14,250	47,850	–	–	–	62,100
David Tang Chi-fai	10/4/2018	16,850	50,450	56,068	40,428	15,640	–
	8/4/2019	17,200	–	11,467	5,733	–	5,734
	8/4/2020	31,350	–	31,350	10,450	–	20,900
	8/4/2021	17,200	47,850	–	–	–	65,050

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1) Restricted shares (Note 2)	Performance shares (Note 3)	Award shares outstanding as at 1 January 2021	Award shares vested during the period	Award shares lapsed and/or forfeited during the period	Award shares outstanding as at 30 June 2021
Jeny Yeung Mei-chun	10/4/2018	17,350	50,450	56,234	40,594	15,640	–
	8/4/2019	16,350	–	10,900	5,450	–	5,450
	8/4/2020	32,650	–	32,650	10,883	–	21,767
	8/4/2021	17,200	47,850	–	–	–	65,050
Dr Peter Ronald Ewen (Retired on 22 February 2021)	10/4/2018	12,250	50,450	54,534	38,894	15,640	–
	8/4/2019	12,500	–	8,334	8,334	–	–
	8/4/2020	26,500	–	26,500	26,500	–	–
Other eligible employees	10/4/2018	2,064,750	1,358,800	1,575,316	1,115,615	459,701	–
	8/4/2019	1,780,400	122,750	1,126,878	587,711	47,495	491,672
	8/4/2020	1,981,600	6,950	1,866,350	635,991	33,208	1,197,151
	8/4/2021	1,759,700	927,600	–	3,650	20,800	2,662,850

Notes:

1 *The award shares to be granted under the Executive Share Incentive Scheme are issued ordinary shares of the Company.*

2 *Restricted shares are awarded to selective eligible employees and vest over three years in equal tranches (unless otherwise determined by the Remuneration Committee of the Company).*

3 *Performance shares are awarded to eligible employees and generally vest over a three-year performance cycle, subject to review and approval by the Remuneration Committee of the Company from time to time.*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of the Group's listed securities during the six months ended 30 June 2021. However, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the HKSE a total of 2,650,000 ordinary shares of the Company for a total consideration of approximately HK$116 million during the same period (2020: HK$86 million).

LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

As at 30 June 2021, the Group had a note outstanding of HK$500 million (2020: note outstanding of HK$26,829 million and bank loan outstanding of HK$10,250 million) with a maturity in 2022 and no undrawn committed banking facility (2020: HK$8,504 million), which was subject to the condition that Government, being the Company's controlling shareholder, owns more than half of all the Company's voting shares in issue. Failure to satisfy such condition may result in immediate redemption of the note being demanded.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Company's shareholders' entitlement to the 2021 interim dividend, the Register of Members of the Company was closed from 27 August 2021 to 1 September 2021 (both dates inclusive), during which time no transfers of shares in the Company were effected. To qualify for the 2021 interim dividend, all completed transfer documents, accompanied by the relevant share certificates, must be lodged for registration with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 26 August 2021 (Hong Kong time). The 2021 interim dividend, with a scrip dividend option (except for shareholders with registered addresses in New Zealand or the United States of America or any of its territories or possessions), is expected to be distributed on 19 October 2021 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 1 September 2021.

UNAUDITED INTERIM FINANCIAL REPORT
CONSOLIDATED PROFIT AND LOSS ACCOUNT

in HK$ million	Note	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Revenue from Hong Kong transport operations		**6,004**	6,234
Revenue from Hong Kong station commercial businesses		**1,496**	1,809
Revenue from Hong Kong property rental and management businesses		**2,511**	2,582
Revenue from Mainland of China and international railway, property rental and management subsidiaries	2	**12,050**	10,465
Revenue from other businesses		**224**	502
		22,285	21,592
Revenue from Mainland of China property development	2	**32**	–
Total revenue		**22,317**	21,592
Expenses relating to Hong Kong transport operations			
– Staff costs and related expenses		**(2,988)**	(3,196)
– Maintenance and related works		**(1,046)**	(1,061)
– Energy and utilities		**(826)**	(811)
– General and administration expenses		**(346)**	(394)
– Railway support services		**(113)**	(179)
– Stores and spares consumed		**(267)**	(256)
– Government rent and rates		**(80)**	(116)
– Other expenses		**(87)**	(115)
		(5,753)	(6,128)
Expenses relating to Hong Kong station commercial businesses		**(220)**	(260)
Expenses relating to Hong Kong property rental and management businesses		**(433)**	(379)
Expenses relating to Mainland of China and international railway, property rental and management subsidiaries	2	**(11,471)**	(10,156)
Expenses relating to other businesses		**(315)**	(564)
Project study and business development expenses		**(169)**	(104)
		(18,361)	(17,591)
Expenses relating to Mainland of China property development	2	**(25)**	(4)
Operating expenses before depreciation, amortisation and variable annual payment		**(18,386)**	(17,595)
Operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment			
– Arising from recurrent businesses		**3,924**	4,001
– Arising from Mainland of China property development		**7**	(4)
		3,931	3,997
Profit on Hong Kong property development	4	**3,733**	6,168
Operating profit before depreciation, amortisation and variable annual payment		**7,664**	10,165
Depreciation and amortisation		**(2,635)**	(2,613)
Variable annual payment		**(211)**	(457)
Share of profit of associates and joint ventures	6	**530**	217
Profit before interest, finance charges and taxation		**5,348**	7,312
Interest and finance charges	5	**(445)**	(499)
Investment property revaluation loss	11A	**(1,386)**	(5,967)
Profit before taxation		**3,517**	846
Income tax	7	**(735)**	(1,157)
Profit/(loss) for the period		**2,782**	(311)
Attributable to:			
– Shareholders of the Company		**2,673**	(334)
– Non-controlling interests		**109**	23
Profit/(loss) for the period		**2,782**	(311)
Profit/(loss) for the period attributable to shareholders of the Company:			
– Arising from recurrent businesses		**912**	433
– Arising from property development		**3,147**	5,200
– Arising from underlying businesses		**4,059**	5,633
– Arising from investment property revaluation		**(1,386)**	(5,967)
		2,673	(334)
Earnings/(loss) per share:	9		
– Basic		**HK$0.43**	(HK$0.05)
– Diluted		**HK$0.43**	(HK$0.05)

The notes on pages 50 to 71 form part of this interim financial report.
Details of dividends payable to shareholders of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in HK$ million	Note	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Profit/(loss) for the period		**2,782**	(311)
Other comprehensive loss for the period (after taxation and reclassification adjustments):			
Item that will not be reclassified to profit or loss:			
– Gain/(loss) on revaluation of self-occupied land and buildings		**56**	(164)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of:			
– financial statements of subsidiaries, associates and joint ventures outside Hong Kong		**38**	(268)
– non-controlling interests		**23**	(20)
– Cash flow hedges: net movement in hedging reserve		**(130)**	(8)
		(69)	(296)
	10	**(13)**	(460)
Total comprehensive income/(loss) for the period		**2,769**	(771)
Attributable to:			
– Shareholders of the Company		**2,637**	(774)
– Non-controlling interests		**132**	3
Total comprehensive income/(loss) for the period		**2,769**	(771)

The notes on pages 50 to 71 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in HK$ million	Note	**At 30 June 2021 (Unaudited)**	At 31 December 2020 (Audited)
Assets			
Fixed assets			
– Investment properties	11A	**84,850**	86,058
– Other property, plant and equipment	11B	**101,515**	101,999
– Service concession assets	12	**33,069**	32,875
		219,434	220,932
Goodwill and property management rights		**75**	79
Property development in progress	14	**11,182**	11,942
Deferred expenditure		**1,420**	1,116
Interests in associates and joint ventures		**12,030**	11,592
Deferred tax assets	21	**453**	470
Investments in securities		**1,149**	468
Properties held for sale	15	**994**	1,800
Derivative financial assets	16	**318**	480
Stores and spares		**2,141**	2,014
Debtors and other receivables	17	**12,552**	13,313
Amounts due from related parties	18	**4,022**	5,462
Cash, bank balances and deposits		**29,793**	20,906
		295,563	290,574
Liabilities			
Short-term loans		**2,835**	3,357
Creditors, other payables and provisions	19	**43,718**	36,837
Current taxation		**1,307**	1,004
Amounts due to related parties	18	**5,331**	453
Loans and other obligations	20	**43,721**	46,983
Obligations under service concession		**10,257**	10,295
Derivative financial liabilities	16	**487**	381
Loan from holders of non-controlling interests		**151**	158
Deferred tax liabilities	21	**14,084**	14,125
		121,891	113,593
Net assets		**173,672**	176,981
Capital and reserves	22		
Share capital		**59,741**	59,666
Shares held for Executive Share Incentive Scheme		**(245)**	(262)
Other reserves		**113,851**	117,384
Total equity attributable to shareholders of the Company		**173,347**	176,788
Non-controlling interests		**325**	193
Total equity		**173,672**	176,981

The notes on pages 50 to 71 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in HK$ million	Note	Share capital	Shares held for Executive Share Incentive Scheme	Other reserves: Fixed assets revaluation reserve	Other reserves: Hedging reserve	Other reserves: Employee share-based capital reserve	Other reserves: Exchange reserve	Retained profits	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
30 June 2021 (Unaudited)											
Balance as at 1 January 2021 (Audited)		**59,666**	**(262)**	**3,662**	**148**	**181**	**150**	**113,243**	**176,788**	**193**	**176,981**
Changes in equity for the six months ended 30 June 2021:											
– Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**2,673**	**2,673**	**109**	**2,782**
– Other comprehensive income/(loss) for the period		**–**	**–**	**56**	**(130)**	**–**	**38**	**–**	**(36)**	**23**	**(13)**
– Total comprehensive income/(loss) for the period		**–**	**–**	**56**	**(130)**	**–**	**38**	**2,673**	**2,637**	**132**	**2,769**
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		**–**	**–**	**–**	**(2)**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
– 2020 final ordinary dividend	8	**–**	**–**	**–**	**–**	**–**	**–**	**(6,060)**	**(6,060)**	**–**	**(6,060)**
– Shares purchased for Executive Share Incentive Scheme	22E	**–**	**(116)**	**–**	**–**	**–**	**–**	**–**	**(116)**	**–**	**(116)**
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	22F	**3**	**133**	**–**	**–**	**(133)**	**–**	**(3)**	**–**	**–**	**–**
– Employee share-based payments		**–**	**–**	**–**	**–**	**33**	**–**	**–**	**33**	**–**	**33**
– Employee share options exercised	22C	**72**	**–**	**–**	**–**	**(5)**	**–**	**–**	**67**	**–**	**67**
Balance as at 30 June 2021		**59,741**	**(245)**	**3,718**	**16**	**76**	**188**	**109,853**	**173,347**	**325**	**173,672**
31 December 2020 (Audited)											
Balance as at 1 January 2020 (Audited)		58,804	(263)	3,936	221	160	(1,132)	124,880	186,606	192	186,798
Changes in equity for the six months ended 30 June 2020:											
– (Loss)/profit for the period		–	–	–	–	–	–	(334)	(334)	23	(311)
– Other comprehensive loss for the period		–	–	(164)	(8)	–	(268)	–	(440)	(20)	(460)
– Total comprehensive (loss)/income for the period		–	–	(164)	(8)	–	(268)	(334)	(774)	3	(771)
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	2	–	–	–	2	–	2
– 2019 final ordinary dividend	8	–	–	–	–	–	–	(6,036)	(6,036)	–	(6,036)
– Shares purchased for Executive Share Incentive Scheme	22E	–	(86)	–	–	–	–	–	(86)	–	(86)
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	22F	6	84	–	–	(90)	–	–	–	–	–
– Employee share-based payments		–	–	–	–	61	–	–	61	–	61
– Employee share options exercised	22C	57	–	–	–	(4)	–	–	53	–	53
Balance as at 30 June 2020		58,867	(265)	3,772	215	127	(1,400)	118,510	179,826	195	180,021
Changes in equity for the six months ended 31 December 2020:											
– Loss for the period		–	–	–	–	–	–	(4,475)	(4,475)	(35)	(4,510)
– Other comprehensive (loss)/income for the period		–	–	(110)	(65)	–	1,550	752	2,127	33	2,160
– Total comprehensive (loss)/income for the period		–	–	(110)	(65)	–	1,550	(3,723)	(2,348)	(2)	(2,350)
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	(2)	–	–	–	(2)	–	(2)
– Shares issued in respect of scrip dividend of 2019 final ordinary dividend		692	(2)	–	–	–	–	2	692	–	692
– 2020 interim ordinary dividend	8	–	–	–	–	–	–	(1,545)	(1,545)	–	(1,545)
– Shares issued in respect of scrip dividend of 2020 interim ordinary dividend		81	(1)	–	–	–	–	1	81	–	81
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme		–	6	–	–	(4)	–	(2)	–	–	–
– Employee share-based payments		–	–	–	–	60	–	–	60	–	60
– Employee share options exercised		26	–	–	–	(2)	–	–	24	–	24
Balance as at 31 December 2020 (Audited)		59,666	(262)	3,662	148	181	150	113,243	176,788	193	176,981

The notes on pages 50 to 71 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

in HK$ million	Note	Six months ended 30 June 2021 (Unaudited)		Six months ended 30 June 2020 (Unaudited)	
Cash flows from operating activities					
Cash generated from operations	24	**4,747**		2,244	
Receipt of government subsidy for Shenzhen Metro Line 4 operation		**–**		587	
Purchase of tax reserve certificates		**(57)**		(57)	
Current tax paid					
– Hong Kong Profits Tax paid		**(313)**		(1,930)	
– Tax paid outside Hong Kong		**(162)**		(142)	
Net cash generated from operating activities			**4,215**		702
Cash flows from investing activities					
Capital expenditure					
– Purchase of assets for Hong Kong transport and related operations		**(2,776)**		(2,805)	
– Hong Kong railway extension projects		**(265)**		(77)	
– Investment property projects and fitting out work		**(89)**		(3,285)	
– Other capital projects		**(63)**		(139)	
Variable annual payment		**(238)**		(2,583)	
Receipts in respect of property development		**13,797**		3,535	
Payments in respect of property development		**(836)**		(212)	
(Increase)/decrease in bank deposits with more than three months to maturity when placed or pledged		**(2,643)**		3,578	
Distribution from associates and joint ventures		**39**		25	
Purchase of investments in securities		**(719)**		(52)	
Others		**(134)**		213	
Net cash generated from/(used in) investing activities			**6,073**		(1,802)
Cash flows from financing activities					
Proceeds from shares issued under share option schemes		**67**		53	
Purchase of shares for Executive Share Incentive Scheme		**(116)**		(86)	
Proceeds from loans and capital market instruments		**7,925**		12,235	
Repayment of loans and capital market instruments		**(11,505)**		(9,963)	
Interest and finance charges paid		**(434)**		(490)	
Interest received		**85**		135	
Capital element of lease rentals paid		**(104)**		(100)	
Net cash (used in)/generated from financing activities			**(4,082)**		1,784
Net increase in cash and cash equivalents			**6,206**		684
Cash and cash equivalents at 1 January			**11,879**		8,346
Effect of exchange rate changes			**38**		(205)
Cash and cash equivalents at 30 June			**18,123**		8,825
Analysis of the balances of cash and cash equivalents					
Cash, bank balances and deposits on the consolidated statement of financial position			**29,793**		18,098
Bank deposits with more than three months to maturity when placed or pledged			**(11,670)**		(9,262)
Bank overdrafts			**–**		(11)
Cash and cash equivalents in the consolidated cash flow statement			**18,123**		8,825

The notes on pages 50 to 71 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 Basis of Preparation

This interim financial report is unaudited but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is set out on page 72. In addition, this interim financial report has been reviewed by the Company's Audit Committee.

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

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

This interim financial report contains the condensed consolidated accounts and selected explanatory notes, which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and joint ventures since the issuance of the 2020 annual accounts. The condensed consolidated interim accounts and notes thereto do not include all of the information required for a complete set of accounts prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2020 included in this interim financial report as comparative information does not constitute the Company's statutory annual consolidated accounts for that financial year but is derived from those accounts. Further information relating to these statutory accounts required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the accounts for the year ended 31 December 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.
- The Company's auditor has reported on those accounts. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

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

The accounting policies adopted for the preparation of this interim financial report are the same as those adopted in the preparation of the 2020 annual accounts.

2 Revenue and Expenses relating to Mainland of China and International Subsidiaries

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

	Six months ended 30 June 2021		Six months ended 30 June 2020	
in HK$ million	Revenue	Expenses	Revenue	Expenses
Melbourne Train	**6,259**	**5,960**	5,055	4,959
Sydney Metro North West	**327**	**294**	298	354
Sydney Metro City & Southwest	**746**	**742**	979	979
MTR Nordic	**2,669**	**2,648**	2,257	2,245
TfL Rail/Elizabeth Line	**1,170**	**1,096**	1,123	985
Shenzhen Metro Line 4 ("SZL4")	**396**	**340**	220	224
Others	**483**	**391**	533	410
	12,050	**11,471**	10,465	10,156
Property development in Mainland of China	**32**	**25**	–	4
Total Mainland of China and international subsidiaries	**12,082**	**11,496**	10,465	10,160

3 Segmental Information

The Group's businesses consist of (i) recurrent businesses (comprising Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, Mainland of China and international railway, property rental and management businesses and other businesses) and (ii) property development businesses (together with recurrent businesses referred to as underlying businesses).

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

(i) Hong Kong transport operations: The provision of passenger operation and related services on the domestic mass transit railway system in Hong Kong, the Airport Express serving both the Hong Kong International Airport and the AsiaWorld-Expo at Chek Lap Kok, cross-boundary railway connection with the Mainland of China at Lo Wu and Lok Ma Chau, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) ("High Speed Rail"), light rail and bus feeder with railway system in the north-west New Territories and intercity railway transport with certain cities in the Mainland of China.

(ii) Hong Kong station commercial businesses: Commercial activities including the letting of advertising, retail and car parking spaces at railway stations, the provision of telecommunication and bandwidth services in railway premises and other commercial activities within the Hong Kong transport operations network.

(iii) Hong Kong property rental and management businesses: The letting of retail, office and car parking spaces and the provision of estate management services in Hong Kong.

(iv) Hong Kong property development: Property development activities at locations near the railway systems in Hong Kong.

(v) Mainland of China and international railway, property rental and management businesses: The construction, operation and maintenance of mass transit railway systems including station commercial activities outside of Hong Kong and the letting of retail spaces and provision of estate management services in the Mainland of China.

(vi) Mainland of China property development: Property development activities in the Mainland of China.

(vii) Other businesses: Businesses not directly relating to transport operations or properties such as Ngong Ping 360, which comprises cable car operation in Tung Chung and related businesses at the Ngong Ping Theme Village, railway consultancy business and the provision of project management services to the Government of the Hong Kong Special Administrative Region (the "HKSAR Government").

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

	Hong Kong Transport Services				Mainland of China and International Affiliates				
in HK$ million	Hong Kong transport operations	Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development	Mainland of China and international railway, property rental and management businesses	Mainland of China property development	Other businesses	Un-allocated amount	Total
Six months ended 30 June 2021									
Revenue from contracts with customers within the scope of HKFRS 15	**6,004**	**699**	**119**	**–**	**11,870**	**32**	**222**	**–**	**18,946**
– Recognised at a point in time	**5,544**	**18**	**–**	**–**	**1,082**	**32**	**53**	**–**	**6,729**
– Recognised over time	**460**	**681**	**119**	**–**	**10,788**	**–**	**169**	**–**	**12,217**
Revenue from other sources	**–**	**797**	**2,392**	**–**	**180**	**–**	**2**	**–**	**3,371**
Total revenue	**6,004**	**1,496**	**2,511**	**–**	**12,050**	**32**	**224**	**–**	**22,317**
Operating expenses	**(5,753)**	**(220)**	**(433)**	**–**	**(11,471)**	**(25)**	**(315)**	**–**	**(18,217)**
Project study and business development expenses	**–**	**–**	**–**	**–**	**(122)**	**–**	**–**	**(47)**	**(169)**
Operating profit/(loss) before Hong Kong property development, depreciation, amortisation and variable annual payment	**251**	**1,276**	**2,078**	**–**	**457**	**7**	**(91)**	**(47)**	**3,931**
Profit on Hong Kong property development	**–**	**–**	**–**	**3,733**	**–**	**–**	**–**	**–**	**3,733**
Operating profit/(loss) before depreciation, amortisation and variable annual payment	**251**	**1,276**	**2,078**	**3,733**	**457**	**7**	**(91)**	**(47)**	**7,664**
Depreciation and amortisation	**(2,362)**	**(95)**	**(10)**	**–**	**(134)**	**–**	**(34)**	**–**	**(2,635)**
Variable annual payment	**(174)**	**(36)**	**(1)**	**–**	**–**	**–**	**–**	**–**	**(211)**
Share of profit of associates and joint ventures	**–**	**–**	**–**	**–**	**430**	**–**	**100**	**–**	**530**
(Loss)/profit before interest, finance charges and taxation	**(2,285)**	**1,145**	**2,067**	**3,733**	**753**	**7**	**(25)**	**(47)**	**5,348**
Interest and finance charges	**–**	**–**	**–**	**–**	**(33)**	**37**	**–**	**(449)**	**(445)**
Investment property revaluation loss	**–**	**–**	**(1,195)**	**–**	**(191)**	**–**	**–**	**–**	**(1,386)**
Income tax	**–**	**–**	**–**	**(615)**	**(45)**	**(15)**	**–**	**(60)**	**(735)**
(Loss)/profit for the six months ended 30 June 2021	**(2,285)**	**1,145**	**872**	**3,118**	**484**	**29**	**(25)**	**(556)**	**2,782**

3 Segmental Information *(continued)*

in HK$ million	Hong Kong Transport Services: Hong Kong transport operations	Hong Kong Transport Services: Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development	Mainland of China and International Affiliates: Mainland of China and international railway, property rental and management businesses	Mainland of China and International Affiliates: Mainland of China property development	Other businesses	Un-allocated amount	Total
Six months ended 30 June 2020									
Revenue from contracts with customers within the scope of HKFRS 15	6,234	634	151	–	10,403	–	502	–	17,924
– Recognised at a point in time	5,738	17	–	–	385	–	34	–	6,174
– Recognised over time	496	617	151	–	10,018	–	468	–	11,750
Revenue from other sources	–	1,175	2,431	–	62	–	–	–	3,668
Total revenue	6,234	1,809	2,582	–	10,465	–	502	–	21,592
Operating expenses	(6,128)	(260)	(379)	–	(10,156)	(4)	(564)	–	(17,491)
Project study and business development expenses	–	–	–	–	(53)	–	–	(51)	(104)
Operating profit/(loss) before Hong Kong property development, depreciation, amortisation and variable annual payment	106	1,549	2,203	–	256	(4)	(62)	(51)	3,997
Profit on Hong Kong property development	–	–	–	6,168	–	–	–	–	6,168
Operating profit/(loss) before depreciation, amortisation and variable annual payment	106	1,549	2,203	6,168	256	(4)	(62)	(51)	10,165
Depreciation and amortisation	(2,344)	(101)	(8)	–	(127)	–	(33)	–	(2,613)
Variable annual payment	(341)	(114)	(2)	–	–	–	–	–	(457)
Share of profit of associates and joint ventures	–	–	–	–	115	–	102	–	217
(Loss)/profit before interest, finance charges and taxation	(2,579)	1,334	2,193	6,168	244	(4)	7	(51)	7,312
Interest and finance charges	–	–	–	–	(42)	38	–	(495)	(499)
Investment property revaluation loss	–	–	(5,900)	–	(67)	–	–	–	(5,967)
Income tax	–	–	–	(997)	(37)	(5)	–	(118)	(1,157)
(Loss)/profit for the six months ended 30 June 2020	(2,579)	1,334	(3,707)	5,171	98	29	7	(664)	(311)

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

in HK$ million	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Hong Kong SAR (place of domicile)	**10,193**	11,100
Australia	**7,332**	6,332
Mainland of China and Macao SAR	**948**	775
Sweden	**2,669**	2,257
United Kingdom	**1,175**	1,128
	12,124	10,492
	22,317	21,592

4 Profit on Hong Kong Property Development

Profit on Hong Kong property development comprises:

in HK$ million	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Share of surplus, income and interest in unsold properties from property development	**3,635**	6,171
Income from recognition of properties held for investment purpose	**79**	–
Agency fee and other income from West Rail property development	**29**	14
Overheads and miscellaneous studies	**(10)**	(17)
	3,733	6,168

5 Interest and Finance Charges

Interest and finance charges comprise:

in HK$ million	Six months ended 30 June 2021		Six months ended 30 June 2020	
Interest expenses in respect of:				
– Bank loans, overdrafts and capital market instruments	**464**		530	
– Obligations under service concession	**346**		348	
– Lease liabilities	**26**		27	
– Others	**12**		12	
Finance charges	**25**		32	
Exchange gain	**(105)**		(95)	
		768		854
Utilisation of government subsidy for Shenzhen Metro Line 4 operation		**(28)**		(30)
Derivative financial instruments:				
– Fair value hedges	**2**		4	
– Cash flow hedges:				
– transferred from hedging reserve to interest expenses	**(5)**		(14)	
– transferred from hedging reserve to offset exchange gain	**106**		93	
– transferred from hedging reserve upon discontinuation of hedge accounting	**(93)**		–	
– Hedge of net investments:				
– ineffective portion	**–**		(1)	
– Derivatives not adopted hedge accounting	**(6)**		8	
		4		90
Interest expenses capitalised		**(161)**		(189)
		583		725
Interest income in respect of:				
– Deposits with banks	**(110)**		(132)	
– Others	**(28)**		(94)	
		(138)		(226)
		445		499

6 Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures comprises:

in HK$ million	Six months ended 30 June 2021	Six months ended 30 June 2020
Share of profit before taxation	**786**	311
Share of income tax expenses	**(256)**	(94)
	530	217

In May 2021, First MTR South Western Trains Limited, an associate of the Company which the Company holds a 30% shareholding and FirstGroup plc in the United Kingdom holds a 70% shareholding, entered into a National Rail Contract ("NRC") with the Department for Transport ("DfT") of the United Kingdom following the end of the Emergency Recovery Measures Agreement. The NRC commenced on 30 May 2021 and will have a primary two-year term to the end of May 2023, with an option to be extended by up to two further years at the DfT's discretion.

7 Income Tax

Income tax in the consolidated profit and loss account represents:

in HK$ million	Six months ended 30 June 2021	Six months ended 30 June 2020
Current tax		
– Hong Kong Profits Tax	**677**	1,200
– Tax outside Hong Kong	**89**	94
	766	1,294
Deferred tax		
– Origination and reversal of temporary differences on:		
– tax losses	**(9)**	(32)
– depreciation allowances in excess of related depreciation	**(3)**	(35)
– revaluation of properties	**(25)**	–
– provisions and others	**6**	(70)
	(31)	(137)
	735	1,157

Except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime in Hong Kong, the provision for Hong Kong Profits Tax for the six months ended 30 June 2021 is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the period after deducting accumulated tax losses brought forward, if any. Under the two-tiered Profits Tax rate regime, the Company's first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated on the same basis as 2020.

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

Provision for deferred tax on temporary differences arising in Hong Kong is calculated at the Hong Kong Profits Tax rate at 16.5% (2020: 16.5%), while that arising outside Hong Kong is calculated at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

Details of the tax reserve certificates in respect of Hong Kong Profits Tax purchased by the Company are set out in note 17 to this interim financial report.

8 Dividends

Ordinary dividends paid and proposed to shareholders of the Company comprise:

in HK$ million	Six months ended 30 June 2021	Six months ended 30 June 2020
Ordinary dividends attributable to the period		
– Interim ordinary dividend declared after the end of the reporting period of HK$0.25 (2020: HK$0.25) per share	**1,546**	1,545
Ordinary dividends attributable to the previous year		
– Final ordinary dividend of HK$0.98 (2020: HK$0.98 per share attributable to year 2019) per share approved and payable/paid during the period	**6,060**	6,036

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

The Company has recognised 2020 final ordinary dividend payable of HK$4,541 million to the Financial Secretary Incorporated (the "FSI") of the HKSAR Government and HK$1,519 million to other shareholders in the amounts due to related parties (note 18) and creditors, other payables and provisions (note 19) respectively in the consolidated statement of financial position as at 30 June 2021.

9 Earnings/(Loss) Per Share

A Basic Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders for the six months ended 30 June 2021 of HK$2,673 million (2020: loss of HK$334 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme, which is calculated as follows:

	Six months ended 30 June 2021	Six months ended 30 June 2020
Issued ordinary shares at 1 January	**6,180,927,873**	6,157,948,911
Effect of share options exercised	**1,104,433**	821,528
Less: Shares held for Executive Share Incentive Scheme	**(5,178,777)**	(5,541,611)
Weighted average number of ordinary shares less shares held for Executive Share Incentive Scheme at 30 June	**6,176,853,529**	6,153,228,828

9 Earnings/(Loss) Per Share *(continued)*

B Diluted Earnings/(Loss) Per Share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to shareholders for the six months ended 30 June 2021 of HK$2,673 million (2020: loss of HK$334 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme after adjusting for the dilutive effect of the Company's share option scheme and Executive Share Incentive Scheme, which is calculated as follows:

	Six months ended 30 June 2021	Six months ended 30 June 2020
Weighted average number of ordinary shares less shares held for Executive Share Incentive Scheme at 30 June	**6,176,853,529**	6,153,228,828
Effect of dilutive potential shares under the share option scheme	**441,314**	–
Effect of shares awarded under Executive Share Incentive Scheme	**5,301,334**	–
Weighted average number of shares (diluted) at 30 June	**6,182,596,177**	6,153,228,828

For the six months ended 30 June 2020, the effect of the Group's share option scheme (1,275,714 shares) and Executive Share Incentive Scheme (5,790,973 shares) are anti-dilutive since they would result in a decrease in the loss per share.

C Both basic and diluted earnings per share would have been HK$0.66 (2020: HK$0.92) if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK$4,059 million (2020: HK$5,633 million).

10 Other Comprehensive Loss

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

	Six months ended 30 June 2021			Six months ended 30 June 2020		
in HK$ million	Before-tax amount	Tax (expenses)/ credit	Net-of-tax amount	Before-tax amount	Tax credit	Net-of-tax amount
Exchange differences on translation of:						
– Financial statements of subsidiaries, associates and joint ventures outside Hong Kong	**38**	**–**	**38**	(268)	–	(268)
– Non-controlling interests	**23**	**–**	**23**	(20)	–	(20)
	61	**–**	**61**	(288)	–	(288)
Gain/(loss) on revaluation of self-occupied land and buildings (note 11B)	**67**	**(11)**	**56**	(197)	33	(164)
Cash flow hedges: net movement in hedging reserve (note 10B)	**(156)**	**26**	**(130)**	(9)	1	(8)
Other comprehensive loss	**(28)**	**15**	**(13)**	(494)	34	(460)

B The components of other comprehensive loss of the Group relating to cash flow hedges are as follows:

in HK$ million	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**(164)**	(92)
Amounts transferred to profit or loss:		
– Interest and finance charges (note 5)	**8**	79
– Other expenses	**–**	4
Deferred tax on the above items	**26**	1
	(130)	(8)

11 Investment Properties and Other Property, Plant and Equipment

A Investment Properties

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

Based on the valuations, the Group recognised the net decrease in fair value of HK$1,386 million for the six months ended 30 June 2021 (2020: HK$5,967 million) under investment property revaluation in the consolidated profit and loss account. Investment properties are revalued semi-annually and future market condition changes may result in further gains or losses to be recognised through profit and loss account in subsequent periods.

B Other Property, Plant and Equipment

(i) Acquisitions of Owned Assets

During the six months ended 30 June 2021, the Group acquired or commissioned assets (other than right-of-use assets) at a total cost of HK$1,547 million (2020: HK$1,577 million).

(ii) Valuation

All of the Group's self-occupied land and buildings are held in Hong Kong and carried at fair value. All self-occupied land and buildings were revalued by using primarily the direct comparison approach assuming sale of properties in their existing state with vacant possession at the reporting date by Colliers International (Hong Kong) Limited. The valuation resulted in a revaluation gain of HK$67 million (2020: loss of HK$197 million), which, net of deferred tax expenses of HK$11 million (2020: deferred tax credit of HK$33 million), has been recognised in other comprehensive loss and accumulated in the fixed assets revaluation reserve account (note 10A).

C Right-of-use Assets

During the six months ended 30 June 2021, additions to right-of-use assets were HK$183 million (2020: HK$3,337 million). This amount primarily related to additions of leasehold investment properties of HK$168 million (2020: HK$3,286 million).

12 Service Concession Assets

During the six months ended 30 June 2021, the Group incurred HK$865 million (2020: HK$795 million) of expenditure for the replacement and upgrade of the Kowloon-Canton Railway Corporation ("KCRC") system ("Additional Concession Property") under the service concession arrangement in the Rail Merger, HK$31 million (2020: HK$26 million) and HK$18 million (2020: HK$1 million) of expenditure for the replacement and upgrade of the concession property of the High Speed Rail ("Additional Concession Property (High Speed Rail)") and the Tuen Ma Line ("Additional Concession Property (Tuen Ma Line)"), respectively, under the supplemental service concession arrangements with KCRC, and HK$14 million (2020: HK$10 million) of expenditure for asset additions in respect of SZL4.

SZL4 forms part of the Shenzhen Metro, which is operated by a wholly-owned subsidiary, MTR Corporation (Shenzhen) Limited ("MTRSZ"). There has been no increase in fare since MTRSZ started operating the line in 2010. In July 2020, the Shenzhen Municipal Government has publicised a fare adjustment framework for Shenzhen Metro network which has taken effect on 1 January 2021. The framework sets out the mechanism of fare setting and the procedures of fare adjustment. Based on progress of the fare adjustment made to date, no impairment loss is recognised at 30 June 2021. If a suitable fare adjustment mechanism is not put in place, the long-term financial viability of SZL4 is expected to be impacted.

13 Railway Construction Projects under Entrustment by the HKSAR Government

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

(a) HSR Preliminary Entrustment Agreement

On 24 November 2008, the HKSAR Government and the Company entered into an entrustment agreement for the design of and site investigation and procurement activities in relation to the HSR (the **"HSR Preliminary Entrustment Agreement"**). Pursuant to the HSR Preliminary Entrustment Agreement, the HKSAR Government is obligated to pay the Company the Company's in-house design costs and certain on-costs, preliminary costs and staff costs.

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

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

(b) HSR Entrustment Agreement

In 2009, the HKSAR Government decided that the Company should be asked to proceed with the construction, testing and commissioning of the HSR on the understanding that the Company would subsequently be invited to undertake the operation of the HSR under the service concession approach. On 26 January 2010, the HKSAR Government and the Company entered into another entrustment agreement for the construction, and commissioning of the HSR (the **"HSR Entrustment Agreement"**). Pursuant to the HSR Entrustment Agreement, the Company is responsible for carrying out or procuring the carrying out of the agreed activities for the planning, design, construction, testing and commissioning of the HSR and the HKSAR Government, as owner of HSR, is responsible for bearing and financing the full amount of the total cost of such activities (the **"Entrustment Cost"**) and for paying to the Company a fee in accordance with an agreed payment schedule (the **"HSR Project Management Fee"**) (subsequent amendments to these arrangements are described below). As of 30 June 2021, the Company had received full payment of the HSR Project Management Fee from the HKSAR Government.

The HKSAR Government has the right to claim against the Company if the Company breaches the HSR Entrustment Agreement (including, if the Company breaches the warranties it gave in respect of its project management services) and, under the HSR Entrustment Agreement, to be indemnified by the Company in relation to losses suffered by the HKSAR Government as a result of any negligence of the Company in performing its obligations under the HSR Entrustment Agreement or any breach of the HSR Entrustment Agreement by the Company. Under the HSR Entrustment Agreement, the Company's total aggregate liability to the HKSAR Government arising out of or in connection with the HSR Preliminary Entrustment Agreement and the HSR Entrustment Agreement (other than for death or personal injury) is subject to a cap equal to the HSR Project Management Fee and any other fees that the Company receives under the HSR Entrustment Agreement and certain fees received by the Company under the HSR Preliminary Entrustment Agreement (the **"Liability Cap"**). In accordance with general principles of law, such Liability Cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has reserved the right to refer to arbitration the question of the Company's liability for the Current Cost Overrun (as defined hereunder) (if any) under the HSR Preliminary Entrustment Agreement and the HSR Entrustment Agreement (as more particularly described in note 13A(c)(iv) below), up to the date of this interim report, no claim has been received from the HKSAR Government.

In April 2014, the Company announced that the construction period for the HSR project needed to be extended, with the target opening of the line for passenger service revised to the end of 2017.

On 30 June 2015, the Company reported to the HKSAR Government that the Company estimated:

- the HSR would be completed in the third quarter of 2018 (including programme contingency of six months) (the **"HSR Revised Programme"**); and
- the total project cost of HK$85.3 billion (including contingency), based on the HSR Revised Programme.

As a result of adjustments being made to certain elements of the Company's estimated project cost of 30 June 2015, the HKSAR Government and the Company reached agreement that the estimated project cost be reduced to HK$84.42 billion (the **"Revised Cost Estimate"**). Further particulars relating to the Revised Cost Estimate are set out in notes 13A(c) and (e) below.

(c) HSR Agreement

On 30 November 2015, the HKSAR Government and the Company entered into an agreement (the **"HSR Agreement"**) relating to the further funding and completion of the HSR. The HSR Agreement contains an integrated package of terms (subject to conditions as set out in note 13A(c)(vi) below) and provides that:

(i) The HKSAR Government will bear and finance the project cost up to HK$84.42 billion (which includes the original budgeted cost of HK$65 billion plus the agreed increase in the estimated project cost of HK$19.42 billion (the portion of the entrustment cost (up to HK$84.42 billion) that exceeds HK$65 billion being the **"Current Cost Overrun"**));

(ii) The Company will, if the project exceeds HK$84.42 billion, bear and finance the portion of the project cost which exceeds that sum (if any) (the **"Further Cost Overrun"**) except for certain agreed excluded costs (namely, additional costs arising from changes in law, force majeure events or any suspension of construction contracts specified in the HSR Agreement);

(iii) The Company will pay a special dividend in cash of HK$4.40 in aggregate per share in two equal tranches (of HK$2.20 per share in cash in each tranche) (**"Special Dividend"**). The first tranche was paid on 13 July 2016 and the second tranche was paid on 12 July 2017;

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

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

(iv) The HKSAR Government reserves the right to refer to arbitration the question of the Company's liability for the Current Cost Overrun (if any) under the HSR Preliminary Entrustment Agreement and HSR Entrustment Agreement (**"Entrustment Agreements"**) (including any question the HKSAR Government may have regarding the validity of the Liability Cap). The Entrustment Agreements contain dispute resolution mechanisms which include the right to refer a dispute to arbitration. Under the HSR Entrustment Agreement, the Liability Cap is equal to the HSR Project Management Fee and any other fees that the Company receives under HSR Entrustment Agreement and certain fees received by the Company under the Preliminary Entrustment Agreement. Accordingly, the Liability Cap increases from up to HK$4.94 billion to up to HK$6.69 billion as the HSR Project Management Fee is increased in accordance with the HSR Agreement (as it will be equal to the increased HSR Project Management Fee under the HSR Entrustment Agreement of HK$6.34 billion plus the additional fees referred to above). If the arbitrator does not determine that the Liability Cap is invalid and determines that, but for the Liability Cap, the Company's liability under the Entrustment Agreements for the Current Cost Overrun would exceed the Liability Cap, the Company shall:

- bear such amount as is awarded to the HKSAR Government up to the Liability Cap;
- seek the approval of its independent shareholders, at another General Meeting (at which the FSI, the HKSAR Government and their Close Associates and Associates and the Exchange Fund will be required to abstain from voting), for the Company to bear the excess liability; and
- if the approval of the independent shareholders (referred to immediately above) is obtained, pay the excess liability to the HKSAR Government. If such approval is not obtained, the Company will not make such payment to the HKSAR Government;

(v) Certain amendments are made to the HSR Entrustment Agreement to reflect the arrangements contained in the HSR Agreement, including an increase in HSR Project Management Fee payable to the Company under HSR Entrustment Agreement to an aggregate of HK$6.34 billion (which reflects the estimate of the Company's expected internal costs in performing its obligations under the HSR Entrustment Agreement in relation to HSR project) and to reflect the HSR Revised Programme;

(vi) The arrangements under the HSR Agreement (including the payment of the Special Dividend) were conditional on:

- independent shareholder approval (which was sought at the General Meeting held on 1 February 2016); and
- Legislative Council approval in respect of the HKSAR Government's additional funding obligations.

The HSR Agreement (and the Special Dividend) was approved by the Company's independent shareholders at the General Meeting held on 1 February 2016 and became unconditional upon approval by the Legislative Council on 11 March 2016 of the HKSAR Government's additional funding obligations.

(d) Operations of HSR

On 23 August 2018, the Company and KCRC entered into the supplemental service concession agreement for the HSR (**"SSCA-HSR"**) to supplement the Service Concession Agreement dated 9 August 2007 in order for KCRC to grant a concession to the Company in respect of the HSR and to prescribe the operational and financial requirements that will apply to the HSR. The commercial operation of HSR began on 23 September 2018.

(e) Based on the Company's latest review of the Revised Cost Estimate for the agreed scope of the project and having taken account of the opinion of independent experts including one on the review of the Revised Cost Estimate, the Company believes that, although the latest final project cost is likely to come close to the Revised Cost Estimate, the Revised Cost Estimate is still achievable and there is no current need to revise further such estimate. However, the final project cost can only be ascertained upon finalisation of all contracts, some of which will involve the resolution of commercial issues and may take several years to reach settlement based on past experience.

Having considered the number of contracts yet to be finalised and the contingency allowance currently available, there can be no absolute assurance that the final project cost will not exceed the Revised Cost Estimate, particularly if unforeseen difficulties arise in the resolution of commercial issues during the process of negotiating the final accounts. In such case, under the terms of the HSR Agreement, the Company will be required to bear and finance the portion of the project cost that exceeds the Revised Cost Estimate (if any) except for certain agreed excluded costs (as more particularly described in note 13A(c)(ii) above).

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

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

(f) The Company has not made any provision in its consolidated accounts in respect of:

(i) any possible liability of the Company for any Further Cost Overrun (if any), given the Company does not currently believe based on information available to date there is any need to revise further the Revised Cost Estimate. However, the final project cost can only be ascertained upon finalisation of all contracts, some of which will involve the resolution of commercial issues and may take several years to reach settlement;

(ii) any possible liability of the Company that may be determined in accordance with any arbitration that may take place (as more particularly described in note 13A(c)(iv) above), given that (a) the Company has not received any notification from the HKSAR Government of any claim by the HKSAR Government against the Company or of any referral by the HKSAR Government to arbitration (which, as a result of the HSR Agreement, cannot take place until after commencement of commercial operations on the HSR) as of 30 June 2021 and up to the date of this interim report; (b) the Company has the benefit of the Liability Cap; and (c) as a result of the HSR Agreement, the Company will not make any payment to the HKSAR Government in excess of the Liability Cap pursuant to a determination of the arbitrator without the approval of its independent shareholders; and

(iii) where applicable, because the Company is not able to measure with sufficient reliability the amount of the Company's obligation or liability (if any).

(g) Total HSR Project Management Fee and the additional fees referred to above, of total HK$6,548 million in aggregate, have been recognised in consolidated profit and loss account in the prior years.

In relation to the sufficiency of the HSR Project Management Fee, the Company estimated that the total costs to complete performance of its obligations in relation to the HSR project are likely to exceed the HSR Project Management Fee. Accordingly, an appropriate amount of provision was recognised in the consolidated profit and loss account in the prior years.

B Shatin to Central Link ("SCL") Project

(a) SCL Agreements

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

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

Pursuant to the SCL EA2, the Company is responsible for carrying out or procuring the carrying out of the agreed works while the HKSAR Government is responsible for bearing and paying to the Company all the work costs (**"EA2 Advance Works Costs"**). The EA2 Advance Works Costs and the Interface Works Costs (as described below) are reimbursable by the HKSAR Government to the Company. During the six months ended 30 June 2021, HK$157 million (2020: HK$80 million) of such costs were incurred by the Company, which are payable by the HKSAR Government. As at 30 June 2021, the amount of such costs which remained outstanding from the HKSAR Government was HK$276 million (as at 31 December 2020: HK$1,035 million).

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

The Company is responsible for carrying out or procuring the carrying out of the works specified in the SCL Agreements for a project management fee of HK$7,893 million (the **"Original PMC"**). As at 30 June 2021 and up to the date of this interim report, the Company has received payments of the Original PMC from the HKSAR Government in accordance with the original agreed payment schedule. During the six months ended 30 June 2021, Original PMC of HK$nil (2020: HK$333 million) was recognised in the consolidated profit and loss account. As at 30 June 2021, the total Original PMC recognised to date in the consolidated profit and loss account amounted to HK$7,893 million (as at 31 December 2020: HK$7,893 million).

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

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

(b) SCL EA3 Cost Overrun

(i) Cost to Complete

The Company has previously announced that, due to the continuing challenges posed by external factors, the Original Entrusted Amount under SCL EA3 would not be sufficient to cover the total estimated cost to complete (**"CTC"**) and would need to be revised upwards significantly. The Company carried out a detailed review of the estimated CTC for the main construction works in 2017 and submitted a revised estimated total CTC of HK$87,328 million, including an increase in the project management fee payable to the Company (**"2017 CTC Estimate"**) to the HKSAR Government on 5 December 2017, taking into account a number of factors, including issues such as archaeological relics, the HKSAR Government's requests for additional scope and late or incomplete handover of construction sites.

The Company then carried out and completed a further review and revalidation of the CTC and, on 10 February 2020, notified the HKSAR Government, in accordance with the terms of the SCL EA3, of the latest estimate of the CTC, being HK$82,999 million (**"2020 CTC Estimate"**), including additional project management fee payable to the Company of HK$1,371 million (**"Additional PMC"**), being the additional cost to the Company of carrying out its remaining project management responsibilities under the SCL EA3, as detailed in note 13B(b)(ii) below but excluding the Hung Hom Incidents Related Costs in respect of which the Company has already recognised a provision of HK$2 billion in its consolidated profit and loss account for the year ended 31 December 2019 (as detailed in note 13B(c)(iii) below). The 2020 CTC Estimate represents an increase of HK$12,172 million from the Original Entrusted Amount of HK$70,827 million, which is less than the increase in the 2017 CTC Estimate of HK$16,501 million.

In accordance with the terms of SCL EA3, the HKSAR Government issued its paper on 18 March 2020 to seek the approval of Legislative Council for additional funding required for the SCL Project amounting to HK$10,801 million (**"Additional Funding"**) so that the SCL can be completed. On 12 June 2020, the Legislative Council approved the Additional Funding for the SCL Project. For the avoidance of doubt, the Additional Funding sought by the HKSAR Government and approved by the Legislative Council excluded the Hung Hom Incidents Related Costs (as detailed in note 13B(c)(iii) below) and any Additional PMC for the Company as further detailed in note 13B(b)(ii) below.

(ii) Additional PMC

As detailed in note 13B(b)(i) above and as previously disclosed by the Company, the programme for the delivery of the SCL Project has been significantly impacted by certain key external events. Not only do these matters increase the cost of works, they also increase the cost to the Company of carrying out its project management responsibilities under the relevant SCL entrustment agreement, which is estimated to be around HK$1,371 million.

By December 2020, the aggregate amount of project management fee paid by the HKSAR Government to the Company in accordance with the payment schedule contained in the SCL EA3 was substantially close to the Original PMC (excluding, for the avoidance of doubt, the Additional PMC of HK$1,371 million previously sought by the Company) and has been expended in full by the Company. The Additional Funding approved by the Legislative Council did not include any Additional PMC for the Company which the Company had previously sought from the HKSAR Government. Therefore, the cost to the Company of continuing to comply with its project management obligations under the SCL EA3 is currently being met by the Company on an interim and without prejudice basis (to allow the SCL Project to progress in accordance with the latest programme) and the Company reserves its position as to the ultimate liability for such costs and as to its right to pursue the courses of action and remedies available under the SCL EA3.

However, given the Company's view that there has been a significant delay to the project programme and associated increase in project management costs to the Company, the Company has written to the HKSAR Government to restate the Company's belief that the Company is entitled (in accordance with the terms of the SCL EA3 and following the Company's receipt of independent expert advice) to an increase in the project management fee, to be agreed by way of good faith negotiations or otherwise determined in accordance with the provisions of the SCL EA3. However, the HKSAR Government has responded to the Company by reiterating that the HKSAR Government considers there have not been any material modifications to any of the scope of works, entrustment activities and/or entrustment programme contained in the SCL EA3 and, as such, the HKSAR Government maintains its position of disagreement to any increase in the project management fee.

Despite the fact that this matter needs to be resolved, the Company has continued, and will continue, to comply with its project management obligations under the SCL EA3 and has met, and will continue to meet, the costs thereof, on an interim and without prejudice basis, to allow the SCL Project to progress in accordance with the latest programme in order to achieve a full opening of the SCL as soon as reasonably practicable, whilst reserving its position as to the ultimate liability for such costs and as to its rights to pursue the courses of action and remedies available under the SCL EA3.

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

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

(iii) Provision for the SCL PMC

After taking into account the matters described in note 13B(b)(ii) above, and in particular, the Company meeting, on an interim and without prejudice basis (whilst reserving its position as to the ultimate liability for such costs and as to its rights to pursue the courses of action and remedies available under the SCL EA3), the cost to the Company of continuing to comply with its project management obligations, the Group has recognised a provision of HK$1,371 million, for the estimated additional cost to the Company of continuing to comply with its project management responsibilities, in its consolidated profit and loss account for the year ended 31 December 2020. During the six months ended 30 June 2021, the provision utilised amounted to HK$277 million (2020: HK$nil) and no provision was written back (2020: HK$nil). The provision (net of amount utilised) is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

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

(c) Hung Hom Incidents

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

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

To address each of the First Hung Hom Incident and the Second Hung Hom Incident, the Company has submitted to the HKSAR Government proposals for verification of the relevant as-constructed conditions and workmanship quality.

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

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

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

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

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

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

*(ii) Expert Adviser Team ("**EAT**")*

On 1 February 2021, the EAT on the SCL project, which was appointed by the HKSAR Government in August 2018 to conduct an overall review of the Company's project management system and recommend additional management and monitoring measures to be undertaken by the Company and the HKSAR Government in taking forward the SCL project, has submitted its final report to the HKSAR Government. The report noted that it is safe in practical terms to use the related built structures at Hung Hom Station for their intended purposes after the implementation of the suitable measures. The EAT has also put forward in the report recommendations to the Company and the HKSAR Government for the continuous improvement of railway project management.

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

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

(iii) Provision for the Hung Hom Incidents Related Costs

In July 2019, the HKSAR Government accepted the Company's recommendation that the Tuen Ma Line (Tai Wai to Hung Hom Section of the SCL) should open in phases, with the first phase involving the opening of commercial service on the Tuen Ma Line from Tai Wai Station to Kai Tak Station (**"Phased Opening"**) which occurred on 14 February 2020.

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

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

After taking into account the matters described in note 13B(c) above, and in particular, the Company's decision to fund, on an interim and without prejudice basis, the Hung Hom Incidents Related Costs, the Company recognised a provision of HK$2,000 million in its consolidated profit and loss account for the year ended 31 December 2019. During the six months ended 30 June 2021, the provision utilised amounted to HK$136 million (2020: HK$365 million) and no provision was written back (2020: HK$nil). The provision (net of amount utilised) is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

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

(d) Mixed Fleet Operation Incident

On 11 September 2020, the Company announced the delay in service commencement of the new East Rail Line (**"EAL"**) signalling system and introduction of new nine-car trains which was originally scheduled for 12 September 2020 (collectively **"Mixed Fleet Operation Incident"**), following a review on the new signalling system conducted by the Company prior to service commencement.

On 13 September 2020, the Company announced the setting up of the Investigation Panel to look into the Mixed Fleet Operation Incident and to submit an investigation report to the HKSAR Government. On 21 January 2021, the Company submitted to the HKSAR Government for its review the report from the Investigation Panel. The Company acknowledged and accepted the findings of the Investigation Panel which include a finding that the issue concerned in the Mixed Fleet Operation Incident is not an issue of safety but of service reliability. The Company also accepted and will implement the recommendations made in the report. Following the satisfactory completion of further additional testing and approval by relevant HKSAR Government departments, the new signalling system and the new nine-car trains on the EAL were commissioned on 6 February 2021 in preparation for extending the EAL across the harbour to Admiralty Station.

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

The HKSAR Government has the right to claim against the Company if the Company breaches the SCL Agreements (including, if the Company breaches the warranties it gave in respect of its project management services) and, under each SCL Agreement, to be indemnified by the Company in relation to losses incurred by the HKSAR Government as a result of the negligence of the Company in performing its obligations under the relevant SCL Agreement or breach thereof by the Company. Under the SCL EA3, the Company's total aggregate liability to the HKSAR Government arising out of or in connection with the SCL Agreements (other than for death or personal injury) is subject to a cap equal to the fees that the Company receives under the SCL Agreements. In accordance with general principles of law, such cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has stated that it reserves all rights to pursue further actions against the Company and related contractors and has made the statements in its closing submission to the COI (as stated in note 13B(c)(i) above), up to the date of this interim report, no claim has been received from the HKSAR Government in relation to any SCL Agreement. It is uncertain as to whether such claim will be made against the Company in the future and, if made, the nature and amount of such claim.

The eventual outcome of the discussions between the Company and the HKSAR Government on various matters including the timing of any overall settlement in relation to the Hung Hom Incidents and their respective funding obligations relating to the Hung Hom Incidents Related Costs and the level of recovery from relevant parties remain highly uncertain at the current stage. As a result, no additional provision other than as stated above has been made as the Company is currently not able to measure with sufficient reliability the ultimate amount of the Company's obligation or liability arising from the SCL Project as a whole in light of the significant uncertainties involved. While no provision in respect of the SCL Project related matters was recognised at 30 June 2021 other than as stated above, the Company will reassess on an ongoing basis the need to recognise any further provision in the future in light of any further development.

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

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

(f) Phased Opening of SCL

On 11 February 2020, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the current agreements to enable the Company to operate Tuen Ma Line Phase 1 in substantially the same manner as the existing railway network for a period of two years from 14 February 2020 including the supplemental service concession agreement (**"SSCA1-SCL"**) signed with KCRC.

On 21 June 2021, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the current agreements to enable the Company to operate the entire Tuen Ma Line in substantially the same manner as the existing railway network for a period of two years from 27 June 2021 including the supplemental service concession agreement (**"SSCA2-SCL"**) signed with KCRC. The SSCA2-SCL replaced the SSCA1-SCL that was executed on 11 February 2020. Prior to the full opening of the SCL, the parties are obliged to commence exclusive negotiations in good faith with a view to agreeing the terms of a supplemental service concession agreement for the entire SCL (which is intended to replace the SSCA2-SCL, except for any provisions that are expressly agreed to remain in effect thereafter).

14 Property Development in Progress

Movements of property development in progress of the Group during the six months ended 30 June 2021 and the year ended 31 December 2020 are as follows:

in HK$ million	Balance at 1 January	Expenditure	Offset against payments received from developers	Transfer out to profit or loss	Balance at 30 June/ 31 December
At 30 June 2021 (Unaudited)					
Hong Kong Property Development Projects	**11,942**	**266**	**(747)**	**(279)**	**11,182**
At 31 December 2020 (Audited)					
Hong Kong Property Development Projects	12,022	687	(276)	(491)	11,942

15 Properties Held for Sale

in HK$ million	**At 30 June 2021 (Unaudited)**	At 31 December 2020 (Audited)
Properties held for sale		
– at cost	**875**	1,159
– at net realisable value	**119**	641
	994	1,800
Representing:		
Hong Kong property development	**772**	1,572
Mainland of China property development	**222**	228
	994	1,800

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

For Hong Kong property development, the net realisable values as at 30 June 2021 and 31 December 2020 were determined by reference to an open market valuation of the properties as at those dates, undertaken by an independent firm of surveyors, Colliers International (Hong Kong) Limited, who have among their staff Members of the Hong Kong Institute of Surveyors.

Properties held for sale at net realisable value as at 30 June 2021 are stated net of provision of HK$5 million (31 December 2020: HK$8 million) made in order to state these properties at the lower of their cost and estimated net realisable value.

16 Derivative Financial Assets and Liabilities

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

	At 30 June 2021 (Unaudited)		At 31 December 2020 (Audited)	
in HK$ million	Notional amount	Fair value	Notional amount	Fair value
Derivative Financial Assets				
Foreign exchange forwards				
– fair value hedges	**2,455**	**3**	–	–
– cash flow hedges	**59**	**2**	386	11
– not qualified for hedge accounting	**127**	**4**	482	19
Cross currency swaps				
– fair value hedges	**5,551**	**75**	2,333	110
– cash flow hedges	**10,086**	**157**	12,797	277
Interest rate swaps				
– fair value hedges	**2,600**	**58**	4,390	62
– cash flow hedges	**500**	**9**	250	1
– not qualified for hedge accounting	**1,100**	**10**	413	–
	22,478	**318**	21,051	480
Derivative Financial Liabilities				
Foreign exchange forwards				
– fair value hedges	**497**	**–**	1,960	25
– cash flow hedges	**354**	**8**	7	1
– not qualified for hedge accounting	**539**	**9**	1,390	6
Cross currency swaps				
– fair value hedges	**202**	**–**	–	–
– cash flow hedges	**12,309**	**469**	5,730	301
Interest rate swaps				
– cash flow hedges	**–**	**–**	3,250	47
– not qualified for hedge accounting	**1,234**	**1**	1,734	1
	15,135	**487**	14,071	381
Total	**37,613**		35,122	

17 Debtors and Other Receivables

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

(i) The majority of fare revenue from Hong Kong transport operation (except for that from the High Speed Rail as described in note 17(ii) below) is collected either through Octopus Cards and QR code with daily settlement on the next working day or in cash for other ticket types. A small portion of it is collected through pre-sale agents which settle the amounts due within 30 days.

(ii) In respect of the High Speed Rail, tickets are sold by the Company and other mainland train operators. The clearance centre of China Railway Corporation administers the revenue allocation and settlement system of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and allocates the revenue of the High Speed Rail to the Company under a "section-based" approach with settlement in the following month.

(iii) Fare revenue from SZL4 is collected either through Shenzhen Tong Cards or QR code payment with daily settlement on the next working day or in cash for other ticket types. Fare revenue from MTRX in Sweden is collected through a third party financial institution with settlement within 14 days and sales through pre-sale agents are settled in the following month.

(iv) Franchise revenue in Australia is collected either daily or monthly depending on the revenue nature. The majority of the franchise revenue from operations in Stockholm is collected in the transaction month with the remainder being collected in the following month. Concession revenue for TfL Rail/Elizabeth Line in London is collected once every 4 weeks. Service fees from Macao Light Rapid Transit Taipa Line are billed monthly with due dates in accordance with the terms of the service agreement.

(v) Rentals, advertising and telecommunication service fees are billed monthly with due dates ranging from immediately due to 60 days. Tenants of the Group's investment properties and station kiosks are required to pay three months' rental deposit upon the signing of lease agreements.

17 Debtors and Other Receivables *(continued)*

(vi) Amounts receivable under interest rate and currency swap agreements with financial institutions are due in accordance with the terms of the respective agreements.

(vii) Consultancy service incomes are billed monthly for settlement within 30 days upon work completion or on other basis stipulated in the consultancy contracts.

(viii) Debtors in relation to contracts and capital works entrusted to the Group, subject to any agreed retentions, are due within 30 days upon the certification of work in progress.

(ix) Amounts receivable in respect of property development are due in accordance with the terms of relevant development agreements or sale and purchase agreements.

The ageing analysis of debtors based on due date is as follows:

in HK$ million	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Amounts not yet due	**3,526**	3,343
Overdue by 30 days	**135**	209
Overdue by 60 days	**71**	80
Overdue by 90 days	**24**	24
Overdue by more than 90 days	**130**	126
Total debtors	**3,886**	3,782
Other receivables and contract assets	**8,666**	9,531
	12,552	13,313

Included in other receivables as at 30 June 2021 was HK$2,575 million (31 December 2020: HK$3,387 million) in respect of property development profit in Hong Kong distributable from stakeholding funds and receivables from property purchasers based on the terms of the development agreements and sales and purchase agreements.

During the years ended 31 December 2017 and 2018, the Inland Revenue Department of Hong Kong ("IRD") issued notices of assessment/additional assessment for the years of assessment 2010/2011 to 2017/2018 following queries in connection with the tax deductibility of certain payments relating to the Rail Merger.

Based on the strength of advice from external senior counsel and tax advisor, the directors of the Company have determined to strongly contest the assessments raised by the IRD. The Company has lodged objections against these tax assessments and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover of the additional tax demanded subject to the purchases of tax reserve certificates ("TRCs") amounting to HK$1,816 million and HK$462 million in 2017 and 2018 respectively. The purchases of TRCs do not prejudice the Company's tax position and the purchased TRCs were included in debtors and other receivables in the Group's consolidated statement of financial position. No additional tax provision has been made in respect of the above notices of assessment/additional assessment.

18 Material Related Party Transactions

The FSI of the HKSAR Government, which holds approximately 74.95% of the Company's issued share capital on trust for the HKSAR Government as at 30 June 2021, is the majority shareholder of the Company. Transactions between the Group and the HKSAR Government departments or agencies, or entities controlled by the HKSAR Government, other than those transactions such as the payment of fees, taxes, leases and rates, etc. that arise in the normal dealings between the HKSAR Government and the Group, are considered to be related party transactions pursuant to HKAS 24 (revised), *Related Party Disclosures*, and are identified separately in this interim financial report.

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

in HK$ million	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Amounts due from:		
– HKSAR Government	**753**	2,504
– KCRC	**2,948**	2,859
– associates and joint venture	**321**	99
	4,022	5,462
Amounts due to:		
– HKSAR Government	**4,624**	94
– KCRC	**648**	301
– associates	**59**	58
	5,331	453

18 Material Related Party Transactions *(continued)*

As at 30 June 2021, the amount due from the HKSAR Government mainly related to the recoverable cost for the advance works in relation to the Shatin to Central Link, reimbursable costs for the essential public infrastructure works in respect of the South Island Line and Kwun Tong Line Extension projects, reimbursement of the fare revenue difference in relation to the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities, agency fee receivables and reimbursable costs in respect of West Rail property development, as well as receivables and retention for other entrustment and maintenance works.

The amount due to the HKSAR Government as at 30 June 2021 mainly related to the 2020 final ordinary dividend payable (note 8) amounting to HK$4,541 million as well as land administrative fees in relation to railway extensions.

The amount due from KCRC mainly related to the recoverable cost for certain capital works in accordance with the agreements in relation to the Rail Merger, as well as amounts in relation to the High Speed Rail and Tuen Ma Line. The amount due to KCRC mainly related to the accrued portion of the fixed annual payment and variable annual payment arising from the Rail Merger and Operating Arrangements of the High Speed Rail and Tuen Ma Line.

Details of major related party transactions entered into by the Group with the HKSAR Government in prior years that are still relevant for the current period and those with KCRC in respect of the Rail Merger and Operating Arrangements of the High Speed Rail and Tuen Ma Line were described in the Group's audited accounts for the year ended 31 December 2020. During the six months ended 30 June 2021, amounts recoverable or invoiced by the Company under West Rail Agency Agreement and Property Package Agreement are HK$24 million (2020: HK$22 million) and HK$nil (2020: HK$nil) respectively and amount payable or paid by the Company under Service Concession Agreement is HK$586 million (2020: HK$832 million). Net revenue received or receivable from KCRC in respect of High Speed Rail under SSCA-HSR and Tuen Ma Line under SSCA1-SCL and SSCA2-SCL amounted to HK$762 million (2020: HK$1,015 million).

The Company entered into entrustment agreements with the HKSAR Government for the design, site investigation, procurement activities, construction, testing and commissioning of High Speed Rail and Shatin to Central Link. Detailed description of the agreements and the amount of project management fees recognised for the six months ended 30 June 2021 are provided in notes 13A and 13B. In addition, an amount of HK$30 million was paid/payable to the HKSAR Government during the six months ended 30 June 2021 (2020: HK$210 million) under SCL EA3's payment arrangement with the HKSAR Government and relevant contractors.

In addition, in connection with the property developments along the railway system, the Company has been granted land lots by the HKSAR Government in respect of the following site during the six months ended 30 June 2021:

Property development site	Land grant/land premium offer acceptance date	Total land premium in HK$ million	Land premium settlement date
Site E of Aberdeen Inland Lot No. 467	**8 February 2021**	**6,437**	**22 March 2021**
Site F of Aberdeen Inland Lot No. 467	**22 April 2021**	**4,946**	**27 May 2021**

The maintenance contract with the Hong Kong Airport Authority ("HKAA") in respect of the automated people mover system ("System") serving the Hong Kong International Airport was expired on 5 January 2021. On 2 July 2020, the Company entered into a new contract with the HKAA for the maintenance of the System for a seven-year period effective from 6 January 2021. In respect of the services provided, HK$102 million was recognised as consultancy income during the six months ended 30 June 2021 (2020: HK$67 million).

On 18 May 2018, the Company provided a sub-contractor warranty to the HKAA as a result of obtaining a subcontract from a third party for the modification works of the existing System for a seven year period, effective from 25 September 2017 (the "Subcontract"). The Subcontract contains provisions covering the provision and modification of the power distribution, communication and control subsystems in respect of the System.

During the six months ended 30 June 2021, the Group had the following transactions with its associates, namely Octopus Holdings Limited and its subsidiaries ("Octopus Group") (in Hong Kong) and NRT Group Holdings Pty Ltd and its subsidiaries ("NRT Group") (in Australia):

in HK$ million	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Octopus Group		
– Expenses paid or payable in respect of central clearing services provided by Octopus Group	**44**	44
– Fees received or receivable in respect of load agent, Octopus card issuance and refund services, computer equipment and relating services and warehouse storage space provided to Octopus Group	**11**	12
NRT Group		
– Fees received or receivable in respect of mobilisation, operations and maintenance as well as design, delivery and integration services provided to NRT Group	**1,157**	1,258

19 Creditors, Other Payables and Provisions

The analysis of creditors by due dates is as follows:

in HK$ million	**At 30 June 2021 (Unaudited)**	At 31 December 2020 (Audited)
Due within 30 days or on demand	**7,615**	8,024
Due after 30 days but within 60 days	**1,199**	1,450
Due after 60 days but within 90 days	**647**	638
Due after 90 days	**3,995**	4,844
	13,456	14,956
Rental and other refundable deposits	**3,121**	2,989
Accrued employee benefits	**1,835**	1,474
Dividends payable to other shareholders	**1,519**	–
Total creditors and accrued charges	**19,931**	19,419
Other payables and provisions (notes 13B(b)(iii) & (c)(iii))	**21,432**	14,974
Contract liabilities	**2,355**	2,444
	43,718	36,837

20 Loans and Other Obligations

Notes issued by the Group during the six months ended 30 June 2021 and 2020 comprise:

	Six months ended 30 June 2021		Six months ended 30 June 2020	
in HK$ million	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	**5,225**	**5,225**	3,948	3,471

During the six months ended 30 June 2021, the Company issued RMB2,600 million (or HK$3,097 million) of its listed debt securities (2020: HK$nil) and issued HK$1,418 million and RMB600 million (or HK$710 million) of its unlisted debt securities in the respective currency (2020: HK$2,700 million, RMB720 million (or HK$783 million) and USD60 million (or HK$465 million)).

As at 30 June 2021, there were outstanding debt securities issued by a wholly-owned subsidiary, MTR Corporation (C.I.) Limited ("MTRCI"). The obligations of the debt securities issued by MTRCI are direct, unsecured and unsubordinated to the other unsecured obligations of MTRCI which are unconditionally and irrevocably guaranteed by the Company. The obligations of the Company under the guarantee are direct, unsecured, unconditional, and unsubordinated to other unsecured and unsubordinated obligations of the Company.

During the six months ended 30 June 2021, the Group did not redeem any of its listed debt securities (2020: HK$nil). The Group redeemed HK$2,313 million, RMB720 million (or HK$783 million) and USD60 million (or HK$465 million) of its unlisted debt securities (2020: HK$1,248 million).

21 Deferred Tax Assets and Liabilities

A Movements of deferred tax assets and liabilities during the six months ended 30 June 2021 and the year ended 31 December 2020 are as follows:

	Deferred tax arising from					
in HK$ million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Provision and other temporary differences	Cash flow hedges	Tax losses	Total
At 30 June 2021 (Unaudited)						
Balance as at 1 January 2021 (Audited)	**13,365**	**723**	**(314)**	**29**	**(148)**	**13,655**
(Credited)/charged to consolidated profit and loss account	**(3)**	**(25)**	**6**	**–**	**(9)**	**(31)**
Charged/(credited) to reserves	**–**	**11**	**–**	**(26)**	**–**	**(15)**
Exchange differences	**3**	**–**	**15**	**–**	**4**	**22**
Balance as at 30 June 2021	**13,365**	**709**	**(293)**	**3**	**(153)**	**13,631**
At 31 December 2020 (Audited)						
Balance as at 1 January 2020	13,007	778	(123)	43	(110)	13,595
Charged/(credited) to consolidated profit and loss account	356	(1)	(292)	–	(20)	43
(Credited)/charged to reserves	–	(54)	141	(14)	–	73
Exchange differences	2	–	(40)	–	(18)	(56)
Balance as at 31 December 2020	13,365	723	(314)	29	(148)	13,655

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

in HK$ million	**At 30 June 2021 (Unaudited)**	At 31 December 2020 (Audited)
Net deferred tax assets	**(453)**	(470)
Net deferred tax liabilities	**14,084**	14,125
	13,631	13,655

22 Share Capital and Shares Held for Executive Share Incentive Scheme

A Share Capital

	At 30 June 2021 (Unaudited)		At 31 December 2020 (Audited)	
	Number of shares	HK$ million	Number of shares	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**6,180,927,873**	**59,666**	6,157,948,911	58,804
Shares issued in respect of scrip dividend of 2019 final ordinary dividend	**–**	**–**	18,426,649	692
Shares issued in respect of scrip dividend of 2020 interim ordinary dividend	**–**	**–**	2,004,813	81
Vesting of shares of Executive Share Incentive Scheme	**–**	**3**	–	6
Shares issued under the share option scheme	**2,347,500**	**72**	2,547,500	83
At 30 June/31 December	**6,183,275,373**	**59,741**	6,180,927,873	59,666

B New shares issued and fully paid up during the six months ended 30 June 2021 comprise:

	Number of shares	Weighted average exercise price HK$
Employee share options exercised:		
– 2007 Share Option Scheme	**2,347,500**	**28.65**

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

C Movements in the number of share options outstanding are as follows:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	2007 Share Option Scheme	2007 Share Option Scheme
Outstanding at 1 January	**2,347,500**	4,909,000
Exercised during the period	**(2,347,500)**	(1,710,000)
Outstanding at 30 June	–	3,199,000
Exercisable at 30 June	–	3,199,000

D During the six months ended 30 June 2021, the Company awarded Performance Shares and Restricted Shares under the Company's Executive Share Incentive Scheme to certain eligible employees of the Company. A total of 1,558,050 Performance Shares (2020: 6,950) and 1,955,950 Restricted Shares (2020: 2,334,750) were awarded and accepted by the grantees on 8 April 2021 (2020: 8 April 2020). The fair value of these awarded shares was HK$44.05 per share (2020: HK$41.90 per share).

E During the six months ended 30 June 2021, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the Hong Kong Stock Exchange a total of 2,650,000 Ordinary Shares (2020: 2,020,000) of the Company for a total consideration of approximately HK$116 million (2020: HK$86 million).

F During the six months ended 30 June 2021, 2,954,337 shares (2020: 1,855,667) were transferred to the awardees under the Executive Share Incentive Scheme upon vesting. The total cost of the vested shares was HK$133 million (2020: HK$84 million). During the six months ended 30 June 2021, HK$3 million (2020: HK$6 million) was credited to share capital in respect of vesting of shares whose fair values at the grant date were higher than the costs of the vested shares. During the six months ended 30 June 2021, 727,369 award shares (2020: 184,776) were forfeited.

23 Fair Value Measurement

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

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

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

Level 3: Fair value measured using significant unobservable inputs

A Fair Value Measurements of Fixed Assets

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

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in respect of the Group's investment properties and self-occupied buildings. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

B Fair Value Measurements of Financial Instruments

(i) Financial Assets and Liabilities Carried at Fair Value

Included in the Group's investments in securities as at 30 June 2021, there were HK$278 million (as at 31 December 2020: HK$214 million) of debt securities carried at fair value using Level 1 measurements and HK$374 million (as at 31 December 2020: HK$254 million) of unlisted equity securities carried at fair value using Level 3 measurements.

The Group's derivative financial instruments were carried at fair value using Level 2 measurements. As at 30 June 2021, the fair values of derivative financial assets and financial liabilities were HK$318 million (as at 31 December 2020: HK$480 million) and HK$487 million (as at 31 December 2020: HK$381 million) respectively.

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

23 Fair Value Measurement *(continued)*

B Fair Value Measurements of Financial Instruments *(continued)*

During the six months ended 30 June 2021, the additions to the investments in unlisted equity securities amounted to HK$110 million (2020: HK$nil), and the Group recognised the net increase in fair value of HK$10 million in the consolidated profit and loss account. As at 30 June 2021, the fair value of investments in equity securities was HK$374 million (as at 31 December 2020: HK$254 million). The fair value of the Group's investments in unlisted equity securities is determined based on the adjusted net asset method. The significant unobservable input includes the fair value of the individual assets and liabilities (recognised and unrecognised). The fair value measurement is positively correlated to the fair value of the individual assets and liabilities (recognised and unrecognised). As at 30 June 2021, it is estimated that a 5-percent increase/decrease in fair value of the total individual assets and liabilities (recognised and unrecognised), with all other variables held constant, would increase/decrease the Group's profit after tax by approximately HK$19 million/HK$19 million.

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

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The carrying amounts of the Group's financial assets and liabilities not carried at fair value are not materially different from their fair values as at 30 June 2021 and 31 December 2020 except for capital market instruments and other obligations, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2021 (Unaudited)		At 31 December 2020 (Audited)	
in HK$ million	Carrying amount	Fair value	Carrying amount	Fair value
Capital market instruments	**37,525**	**39,877**	35,996	42,698
Other obligations	**1,606**	**1,724**	1,700	1,851

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

24 Cash Generated from Operations

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

in HK$ million	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment from recurrent businesses	**3,924**	4,001
Adjustments for non-cash items	**96**	(34)
Operating profit before working capital changes	**4,020**	3,967
Decrease/(increase) in debtors and other receivables	**1,717**	(1,396)
Increase in stores and spares	**(141)**	(68)
Decrease in creditors and other payables	**(849)**	(259)
Cash generated from operations	**4,747**	2,244

25 Capital Commitments

A Outstanding capital commitments as at 30 June 2021 and 31 December 2020 not provided for in the accounts were as follows:

in HK$ million	Hong Kong transport operations, station commercial and other businesses	Hong Kong railway extension projects	Hong Kong property rental and development	Mainland of China and overseas operations	Total
At 30 June 2021 (Unaudited)					
Authorised but not yet contracted for	**11,476**	**–**	**2,312**	**1**	**13,789**
Authorised and contracted for	**19,521**	**94**	**1,339**	**3**	**20,957**
	30,997	**94**	**3,651**	**4**	**34,746**
At 31 December 2020 (Audited)					
Authorised but not yet contracted for	10,799	–	2,127	67	12,993
Authorised and contracted for	19,473	115	991	9	20,588
	30,272	115	3,118	76	33,581

In addition to the above, the Group has the following capital commitments in respect of its investments in associates and joint venture:

In respect of Shenzhen Metro Line 13, the Group is responsible to contribute equity injection of up to RMB1,428 million. Up to the end of June 2021, the Group has contributed RMB149 million equity to the project.

In respect of Sydney Metro City & Southwest, the Group is expected to further contribute equity of approximately AUD12.7 million and loans of approximately AUD13.3 million to the project for the share of investment.

B The capital commitments under Hong Kong transport operations, station commercial and other businesses comprise the following:

in HK$ million	Improvement, enhancement and replacement works	Acquisition of property, plant and equipment	Additional concession properties	Total
At 30 June 2021 (Unaudited)				
Authorised but not yet contracted for	**6,535**	**1,200**	**3,741**	**11,476**
Authorised and contracted for	**15,809**	**579**	**3,133**	**19,521**
	22,344	**1,779**	**6,874**	**30,997**
At 31 December 2020 (Audited)				
Authorised but not yet contracted for	5,395	1,533	3,871	10,799
Authorised and contracted for	16,121	491	2,861	19,473
	21,516	2,024	6,732	30,272

26 Approval of Interim Financial Report

The interim financial report was approved by the Board on 12 August 2021.

REVIEW REPORT

TO THE BOARD OF DIRECTORS OF MTR CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 45 to 71 which comprises the consolidated statement of financial position of MTR Corporation Limited as of 30 June 2021 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
12 August 2021

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SHAREHOLDER SERVICES

Any matters relating to your shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Registrar:

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