MTR

Excellence in Motion

INTERIM REPORT 2022

Stock code: 66

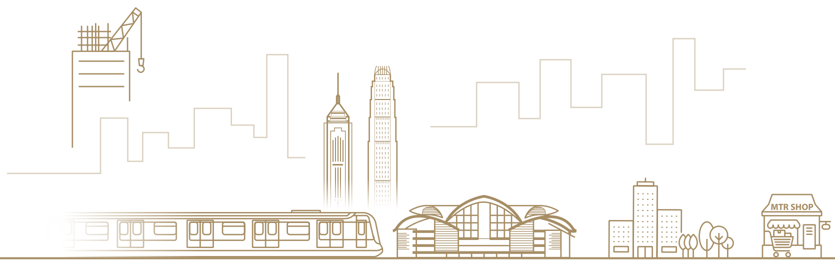
2022 INTERIM RESULTS FINANCIAL HIGHLIGHTS

Total Revenue	HK$23.0 billion ▲ 3.2%
Recurrent Business Loss	HK$0.7 billion^ (vs HK$0.9 billion recurrent business profit for the six months ended 30 June 2021)
Property Development Profit	HK$7.8 billion ▲ 152.7%
Loss from Fair Value Measurement of Investment Properties	HK$2.4 billion (vs HK$1.3 billion loss from fair value measurement for the six months ended 30 June 2021)
Net Profit Attributable to Shareholders of the Company	HK$4.7 billion ▲ 77.0%
Interim Ordinary Dividend	HK$0.42 per share (vs HK$0.25 per share of 2021 interim ordinary dividend)
Total Assets	HK$292.3 billion ▲ 0.1% (vs 31 December 2021)
Net Assets	HK$177.9 billion ▼ 1.2% (vs 31 December 2021)
Net Debt-to-Equity Ratio	12.7% ▼ 5.4% pts. (vs 31 December 2021)

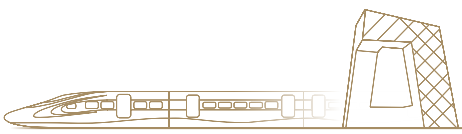
^ *including the impairment provision of HK$1.0 billion made in respect of Shenzhen Metro Line 4*

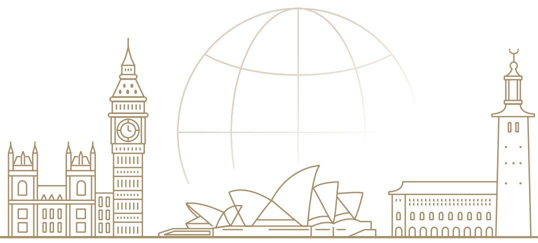
CONTENTS

Excellence in Motion



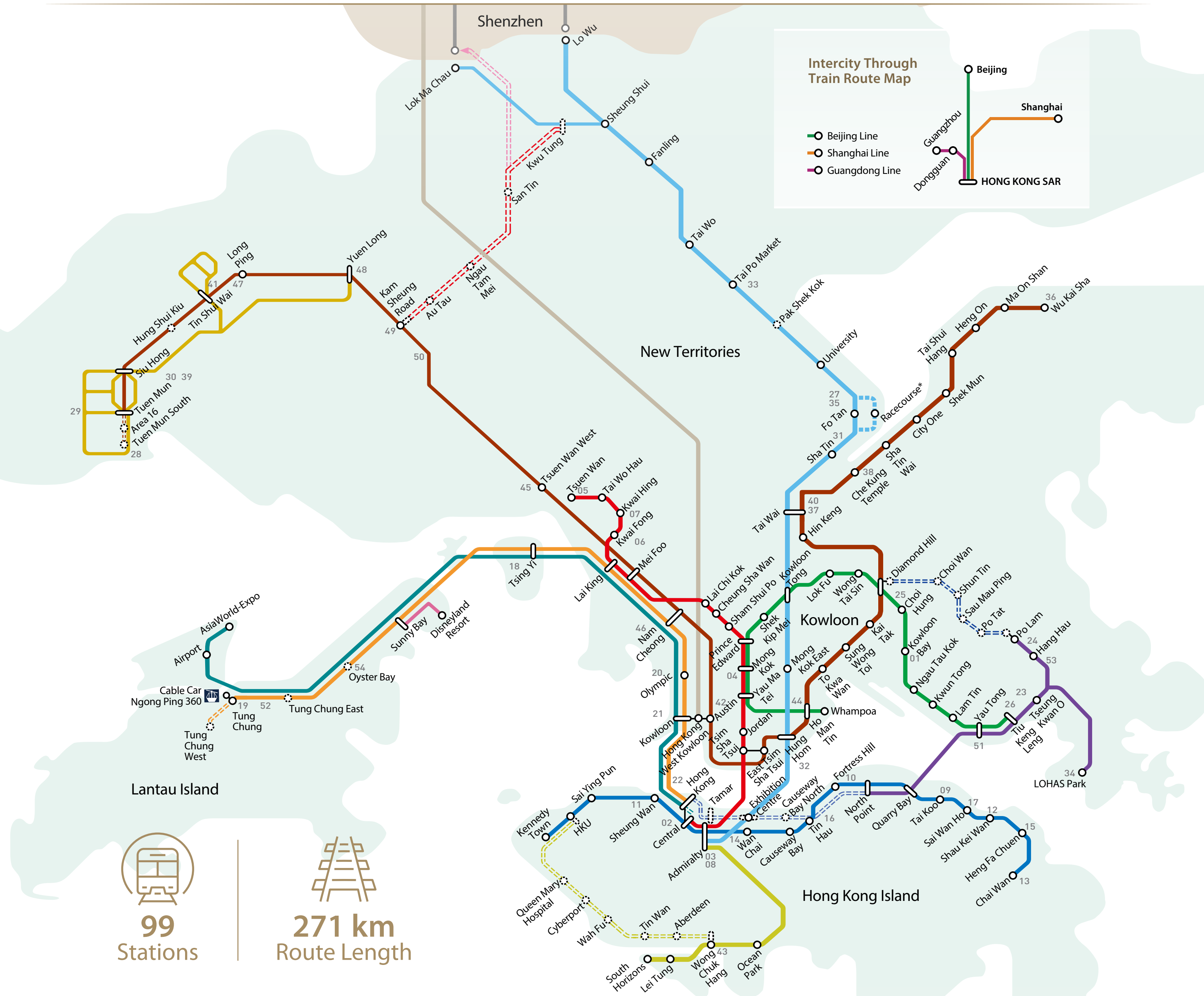
Interim Report
2022





OUR NETWORK

HONG KONG OPERATING NETWORK WITH FUTURE EXTENSIONS



99 Stations

271 km Route Length

LEGEND

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

EXISTING NETWORK

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

POTENTIAL FUTURE EXTENSIONS

Tung Chung Line Extension	East Kowloon Line	Hung Shui Kiu Station
Tuen Mun South Extension	South Island Line (West)	Pak Shek Kok Station
Northern Link and Kwu Tung Station	North Island Line	Oyster Bay Station
Airport Railway Extended Overrun Tunnel	Northern Link Spur 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 / MONTARA / SEA TO SKY / MARINI / GRAND MONTARA / GRAND MARINI / OCEAN MARINI / 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 Oyster Bay Packages

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 CHINA AND INTERNATIONAL BUSINESSES

MAINLAND CHINA AND MACAO

Beijing
Metro Line 4
Metro Line 4 – Daxing Line
Metro Line 14
Metro Line 16
Metro Line 17
Ginza Mall

Hangzhou
Metro Line 1
Metro Line 1 Xiasha Extension
Metro Line 1 Phase 3 (Airport Extension)
Metro Line 5
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
Elizabeth line
South Western Railway

Sweden
Stockholm Metro (Stockholms tunnelbana)
MTRX
Stockholm commuter rail (Stockholms pendeltåg)
Mälartåg

AUSTRALIA

Melbourne
Metropolitan Rail Service

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

CHAIRMAN'S LETTER

Composite photograph at To Kwa Wan Station

Dear Shareholders and other Stakeholders,

The period under review was a difficult time for Hong Kong and for much of the world. In our home market, residents and businesses alike began 2022 with cautious optimism that the city would continue its gradual recovery from the pandemic while adapting to the "new normal". However, the fifth wave of COVID-19 infections soon put this notion to rest. Meanwhile, on-going disruptions to global supply chains, rising inflation and geopolitical tensions have all created a level of macroeconomic pressures to a degree that has not been experienced in years.

Through it all, MTR Corporation has done its very best to continue providing safe, reliable and affordable mass transit for the communities it serves around the world. As I reflect on the first half of the year, I feel an immense level of pride in my colleagues – from the Board to our management and frontline staff – who have done a commendable job of keeping cities moving, irrespective of the circumstances. We were also able to achieve a number of important goals, including completing a major infrastructure project that has already had a profoundly positive impact on the lives of Hong Kong commuters. Despite all the challenges, we at MTR enter the remainder of the year with the same indomitable spirit as the people of the city we call home.

CORPORATE STRATEGY

In the second half of 2020, we launched our Corporate Strategy, "Transforming the Future". This strategy is designed to guide our future actions and growth in our three business pillars: "Hong Kong Core"; "Mainland China and International Businesses"; and "New Growth Engine", which comprises investments in new technologies and innovations. Our Corporate Strategy also outlines a strong commitment to environmental, social and governance ("ESG") principles. During the first six months of the year, we continued to bring this bold and comprehensive vision to life by transforming the Company's organisational structure, strengthening our "three lines of defence" for enhanced risk management capability and management accountability, and defining our long-term ESG strategy according to clearly defined key performance indicators and objectives. We believe our Corporate Strategy will enhance our long-term prospects while contributing to the sustainable growth of the communities in which we operate.

BUSINESS PERFORMANCE AND GROWTH

In May 2022, MTR proudly commenced service of the East Rail Line Cross-Harbour Extension, an occasion that also marked the completion of the much-anticipated Shatin to Central Link project, the opening of the new Exhibition Centre Station, and the extended sections of Admiralty and Hung Hom stations. This was a major milestone for the century-old East Rail Line, which now extends across Victoria Harbour to connect the New Territories and Kowloon with Hong Kong Island. Not only does the new full line offer commuters another choice to make their cross-harbour journeys, but it also greatly reduces travel times and adds convenience to people's lives. In addition, it represents the conclusion of an era of rail network expansion and the dawn of a new one as we gear up for the next stage of developing our city's transport infrastructure.

In our Hong Kong property business segment, we awarded the Pak Shing Kok Ventilation Building and Tung Chung Traction Substation Property Development projects in April and July 2022, respectively. These projects are expected to provide approximately 2,150 units to the local housing market. Our two new shopping malls in Tai Wai and Wong Chuk Hang continue to progress and are targeted to open in 2023, at which time they will greatly expand our retail portfolio while offering attractive and convenient retail options for commuters and neighbourhood residents.

Meanwhile, we continued moving forward with new projects that will provide railway links for populations across Hong Kong. The development scheme for the Tuen Mun South Extension was gazetted in January 2022 and was authorised in June 2022. The scheme for Kwu Tung Station, which forms part of the Northern Link project to connect communities across New Territories North, was gazetted in April 2022. While certain preliminary design works are being undertaken in respect of these two projects, we have yet to sign the project agreements with Government. As always, we will work closely with Government to bring to life projects that serve the needs of the Hong Kong public, including those stipulated in the Northern Metropolis Development Strategy for the city's future development and economic integration with the Guangdong-Hong Kong-Macao Greater Bay Area.

It was also a busy period for our businesses outside Hong Kong. In May 2022, we were pleased to witness the opening of the Central Operating Section of the Elizabeth line, an MTR-operated line that has brought a new era of safe, reliable and sustainable transport to London. During the reporting period, we also added the Upptåget line extension as part of Sweden's Mälartåg regional traffic service.

FINANCIAL PERFORMANCE

During much of the first half of the year, the fifth wave of COVID-19 in Hong Kong led to the re-imposition of certain anti-pandemic and social distancing measures that negatively affected domestic patronage. Because of this, profit arising from our recurrent businesses decreased to HK$284 million in the first six months of 2022, before the impairment provision of HK$962 million for Shenzhen Metro Line 4. Together with profit from our property development businesses of HK$7,786 million, profit attributable to shareholders from underlying businesses was HK$7,108 million, 78.0% higher than the first half of last year. Including the loss arising from the fair value measurement of investment properties of HK$2,376 million, net profit attributable to shareholders of the Company increased by 77.0% year on year to HK$4,732 million, representing earnings per share of HK$0.76. Your Board has declared an interim dividend of HK$0.42 per share, as compared to HK$0.25 per share in the same period last year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

If our Corporate Strategy is the vehicle to sustainable future growth for MTR and the communities we serve, then ESG is the fuel that propels it. Over the past couple of years, we have fine-tuned our three key environmental and social objectives – Greenhouse Gas Emissions Reduction, Social Inclusion, and Advancement & Opportunities – by defining a total of 10 commitments and 35 key performance indicators to clearly outline our actions and track our progress. We have also published an annual Sustainability Report that provides in-depth updates about our sustainability-related initiatives and performance as well as detailed information on our objectives, focus areas and key performance indicators.

During the period, we made positive headway in a number of important areas. Meanwhile, we continue to hold ourselves to the highest global governance standards of accountability, transparency and responsibility to safeguard the interests of our valued shareholders and stakeholders.

Reducing Greenhouse Gas Emissions

As a global leader in environmentally friendly mass transit, MTR strives to lead by example in the fight against climate change. We recently completed a comprehensive carbon reduction study and have committed to setting up science-based reduction targets for our railway and property businesses in Hong Kong for 2030, with a longer-term goal of achieving carbon neutrality by 2050.

In April 2022, following a series of pilot tests, we installed solar facilities at Hin Keng Station to promote the use of Clean Energy. As at the end of June 2022, 5,700 kWh of electricity had been generated for station use. This year, we signed a Memorandum of Understanding with the Hong Kong University of Science and Technology on the establishment of the HKUST-MTR Joint Research Laboratory to explore low-carbon smart city development. We have also commenced a high-level diagnostic climate study of our railway and property assets in Hong Kong to assess their exposure to climate-related physical risks. In the space of Waste Management, our Elements, Maritime Square and Admiralty Centre malls have joined the Environmental Protection Department's Food Waste Collection Programme. This year, we target to engage 25% of the food and beverage tenants at our shopping malls in our food waste reduction programme.

Promoting Social Inclusion

One of MTR's core values is ensuring that our services are available to people from all walks of life. To support Universal Basic Mobility, we have made a pledge that all new stations will be fully accessible and barrier-free. Prior to commencing service for the East Rail Line Cross-Harbour Extension, we arranged pre-opening visits and guided tours at the new Exhibition Centre Station for non-profit organisations and groups for persons with disabilities, allowing participants to experience such barrier-free access first-hand.

In our focus area of Diversity and Inclusion, we sponsored the International Women's Day Virtual Lunch 2022 to show our appreciation for the many achievements of women around the world. We also organised sharing sessions and webinars to raise staff awareness of diversity, equity and inclusion.

In support of Equal Opportunities for all, our staff continue to contribute their time to helping people in need under the "More Time Reaching Community" volunteering scheme. Twenty-six volunteering projects were organised in the first half of 2022 to serve our community, and such initiatives were particularly important during the fifth wave of COVID-19. Over this difficult time, MTR also donated to numerous organisations to support our community. In addition to providing Food Angel with food vouchers for 1,500 underprivileged families, the Company donated food vouchers, and face masks and gave support for emergency shelter services to ImpactHK to benefit 550 homeless people, and it handed out groceries and masks to The Zubin Foundation's Care Box Project in support of 100 ethnic minority families. The Company has received a number of awards from The Community Chest and the Hong Kong Cancer Fund in recognition of its fundraising efforts.

Fostering Advancement & Opportunities

Through our "Exploring the MTR" school talk programme and "'Train' for Life's Journeys" initiative, we aim to help Hong Kong's youth develop innovative mindsets and skills for the future. We are currently developing the latter according to the theme of "Achievement • Inclusion • Dream" to help young students from different cultural and linguistic backgrounds experience the benefits of working together towards common goals. This programme will include sharings, workshops and non-profit organisations visits to help participants understand the needs of different segments of the community. To foster innovation, more than HK$300 million has been allocated for investing in start-ups in the next few years. Our new subsidiary, MTR Lab Company Limited, also signed a Memorandum of Understanding with Hong Kong Cyberport Management Company Limited to set up a two-year collaboration framework for joint investment in digital technology start-ups.

We have taken several initiatives to ensure staff well-being during these difficult times, including enhanced medical support, a dedicated 24-hour medical hotline, and virtual medical consultations for infected staff and their eligible dependants. In March 2022, we provided our staff with care packs containing anti-pandemic supplies such as rapid antigen test kits, demonstrating our support in the fight against COVID-19. We also formed a Pandemic Caring Team comprising more than 300 staff volunteers from all levels of the organisation to deliver supplies and medication to over 150 infected staff with emergency needs. In addition, we offered a self-learning initiative on our Emotional Wellness Learning Portal as well as a series of webinars, wellness blog posts, micro-videos and online games to support staff's emotional well-being.

We are proud that our ESG and sustainability efforts have been recognised in several leading benchmark indices. MTR has been included in S&P Global's "The Sustainability Yearbook 2022" for the third consecutive year for performance achievements ranking within the top 15% of the industry. Among more than 7,500 companies that were assessed, just over 700 were selected. We are pleased that MTR was awarded an AAA rating in the MSCI ESG Leaders Indexes and "Prime Status" in the ISS ESG Corporate Rating. We are also a constituent of the Dow Jones Sustainability Indices (DJSI) Asia Pacific, FTSE4Good Index Series, Hang Seng Corporate Sustainability Index and Hang Seng ESG 50 Index; all of which serve as testimonial of MTR's unfailing efforts in the ESG space.

Governance

We review our corporate governance practices on a regular basis to uphold the highest standards of governance, ethics and transparency for the benefit of our shareholders and stakeholders. Recently, the Board underwent a review by an external consultant to assess its ability to effectively implement the Company's Corporate Strategy. Following this Board evaluation exercise, the Board Committees were revamped effective 1 February 2022 by establishing a new Finance & Investment Committee and a new Technology Advisory Panel, combining the former Audit Committee and the former Risk Committee to become the Audit & Risk Committee, and updating all the Board Committees' terms of reference. As part of our commitment to diversity and inclusion, the Board has a committed level of female members on the Company's Board of Directors, which shall be no less than 20% with immediate effect and 25% by 2025. To ensure an appropriate level of new perspectives on the Board from time to time, the reappointment of any independent non-executive director of the Company who has completed three consecutive terms of service (each of three years) shall require a recommendation from the Company's Nominations Committee for his/her reappointment that includes reason(s) explaining why he/she is still considered to be independent and nominated for reappointment.

To add to the Company's efforts to reduce its carbon footprint, this year we successfully held our first-ever Annual General Meeting using a hybrid format, which provided our shareholders with the option of attending the meeting either physically or online.

ACKNOWLEDGEMENTS AND APPRECIATION

An organisation is only as strong as its people. I would like to take this opportunity to acknowledge the leadership and contributions of Dr Anthony Chow Wing-kin, Dr Eddy Fong Ching and Mr Benjamin Tang Kwok-bun, who retired from the Board on 25 May 2022. I would also like to welcome Mr Sunny Lee Wai-kwong and Mr Carlson Tong, who have been appointed as Independent Non-executive Directors of the Company with effect from 25 May 2022. Meanwhile, I am pleased to welcome Mr Lam Sai-hung (Secretary for Transport and Logistics), who joined the Board as a Non-executive Director in July this year. Last but not least, I would like to thank Mr Frank Chan Fan (former Secretary for Transport and Housing) for his valuable contributions to the Board and the Company during his tenure.

We are living in extraordinary times. To overcome the challenges of today, everyone at MTR must keep working together closely to build an even stronger organisation that can contribute to a brighter, more sustainable tomorrow for all. In this spirit, I have no doubt that the professionalism, excellence and dedication of my colleagues will enable MTR to strengthen its position as a global leader in rail transport and a dependable public transport bedrock of the local community.

Dr Rex Auyeung Pak-kuen
Chairman
Hong Kong, 11 August 2022

CEO'S REVIEW OF OPERATIONS AND OUTLOOK

Composite photograph at Admiralty Station

Dear Shareholders and other Stakeholders,

The first six months of 2022 were marked by significant accomplishments but also considerable external challenges. We welcomed the opening of an important extension that brings added convenience to the lives of millions of passengers, and we moved forward with property development projects that will add thousands of residential units to Hong Kong's housing supply. However, the fifth wave of COVID-19 that struck in the early part of 2022 necessitated the reintroduction of anti-pandemic measures and the continuation of boundary closures, both of which have had substantial impacts on patronage. Meanwhile, global inflation, on-going supply chain disruptions and geopolitical issues are causing great uncertainty as we move into the second half of the year.

The highlight of the period under review was undoubtedly the service commencement of the East Rail Line Cross-Harbour Extension in May 2022, which marked a momentous occasion in the century-long history of the East Rail Line. With the new trains and signalling system that have been procured for this new extension, passengers from the Northeast New Territories and Central Kowloon can travel directly to Hong Kong Island without having to interchange, cutting travel times and increasing convenience for thousands of travellers each day. The project concludes a major phase of rail network development for Hong Kong, and we are now working with Government on future projects that will help further boost connectivity and growth across the territory.

Also in May 2022, we celebrated the service launch of the Central Operating Section of the Elizabeth line in the UK. Our subsidiary – which is responsible for overseeing daily operations for the 100km-plus line – helped achieve this major milestone for railway development in London, one that greatly increases the city's rail capacity. The new service also represents our continued efforts to expand our business and bring our expertise to other major markets around the world.

We are moving at full steam ahead to implement our Corporate Strategy. The first half of the year saw us continue to transform into an organisation which is fit-for-future, while engaging and communicating with all levels of staff. We also carried out initiatives to accomplish our environmental, social and governance ("ESG") aims of achieving Greenhouse Gas Emissions Reduction, supporting Social Inclusion, and promoting Advancement and Opportunities for our communities and staff. These initiatives are designed to meet specific objectives with clear key performance indicators in place. Moreover, our New Growth Engine pillar, operating under our new subsidiary MTR Lab Company Limited, is actively seeking opportunities to collaborate with the innovation and technology ecosystem to co-create a smart and sustainable future city.

Despite the difficulties encountered during the reporting period, we continued to do our very best to keep Hong Kong and other cities that we serve around the world moving, ensuring the health and safety of passengers and staff while providing world-class service and introducing new innovations to continually improve the customer experience. Over the first six months of the year, we once again achieved world-class 99.9% performance in both train service delivery and passenger journeys on-time for our heavy rail network in Hong Kong.

We awarded the tender for the Pak Shing Kok Ventilation Building and Tung Chung Traction Substation Property Development projects in April and July 2022 respectively, moving our growing property portfolio forward. These residential projects are expected to add approximately 2,150 units to the local housing market.

The fifth wave of the COVID-19 pandemic had inevitable impacts on our patronage. Profit arising from our recurrent businesses decreased by 68.9% to HK$284 million for the first half of 2022 before the HK$962 million impairment provision made in respect of Shenzhen Metro Line 4 ("SZL4"). Property development profit over the same period increased by 152.7% to HK$7,786 million. As a result, profit arising from our underlying businesses increased by 78.0% to HK$7,108 million. Including the loss arising from the fair value measurement of our investment properties of HK$2,376 million (a non-cash accounting item), net profit attributable to shareholders of the Company was HK$4,732 million, representing earnings per share of HK$0.76.

As mentioned in the 2021 Annual Report, and subject to the financial performance and future funding needs of the Company, we expect to pay two dividends each financial year with interim and final dividends payable around October and July, respectively, and the interim dividend representing around one-third of the total dividends to be paid for the entire year. Your Board has declared an interim dividend of HK$0.42 per share, as compared to HK$0.25 per share for the same period last year.

HONG KONG BUSINESSES

MTR's Hong Kong businesses include its rail and bus operations plus station commercial activities such as retail and advertising – collectively known as "Hong Kong Transport Services" – as well as development, rental and management activities for its portfolio of railway-linked properties. Together, these represent the core component of MTR's overall business and one of the three major pillars supporting the Company's future growth strategy. This "Rail plus Property" business model not only provides a sustainable funding framework for railway construction, operation and upkeep to ensure the delivery of world-class railway services, but also promotes transit-oriented development ("TOD") and integrated communities along our railway lines, helping develop many new communities and revitalising older urban areas of Hong Kong.

Over the first six months of 2022, patronage and revenue decreased compared to the same period in 2021 due to the fifth wave of the COVID-19 pandemic. A major highlight of the period under review was the opening of the East Rail Line Cross-Harbour Extension, which brought to completion the much-anticipated Shatin to Central Link.

Composite photograph at Hung Hom Station

HONG KONG TRANSPORT SERVICES

TRANSPORT OPERATIONS

HIGHLIGHTS

- Opened the East Rail Line Cross-Harbour Extension in May 2022
- Maintained world-class 99.9% train service delivery and passenger journeys on-time
- No fare adjustment in 2022/23

HK$ million	Six months ended 30 June 2022	Six months ended 30 June 2021	Inc./(Dec.) %
Hong Kong Transport Operations			
Total Revenue	**5,815**	6,004	(3.1)
Operating (Loss)/Profit before Depreciation, Amortisation and Variable Annual Payment ("EBITDA")	**(116)**	251	n/m
(Loss)/Profit before Interest, Finance Charges, Taxation and after Variable Annual Payment ("EBIT")	**(2,775)**	(2,285)	(21.4)
EBITDA Margin (in %)	**(2.0)%**	4.2%	n/m
EBIT Margin (in %)	**(47.7)%**	(38.1)%	(9.6)% pts.

n/m: not meaningful

Revenue from Hong Kong transport operations over the first six months of 2022 decreased by 3.1% to HK$5,815 million compared to the HK$6,004 million recorded over the same period last year, leading to a loss before interest, finance charges, taxation and after the variable annual payment of HK$2,775 million. These results reflected the continuing negative impact of the COVID-19 pandemic, particularly the outbreak of the fifth wave.

Patronage and Revenue

	Patronage In million: Six months ended 30 June 2022	Patronage In million: Inc./(Dec.) %	Revenue HK$ million: Six months ended 30 June 2022	Revenue HK$ million: Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service*	**570.5**	(11.7)	**4,782**	(4.4)
Cross-boundary Service	**0.2**	(13.0)	**2**	–
High Speed Rail	**–**	n/m	**723**	11.1
Airport Express	**1.0**	(0.6)	**33**	(35.3)
Light Rail and Bus	**77.7**	(12.3)	**248**	(7.5)
Intercity	**–**	n/m	**–**	n/m
	649.4	(11.8)	**5,788**	(3.1)
Others			**27**	(15.6)
Total			**5,815**	(3.1)

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

n/m: not meaningful

Following a period of recovery in the domestic market last year, patronage declined once again in early 2022 due to the fifth wave of COVID-19 infections. Total patronage for all rail and bus services was 649.4 million compared to the 735.9 million recorded over the corresponding period in 2021, representing a decrease of 11.8%. Average weekday patronage decreased by 11.9% to 3.85 million. Patronage for the Cross-boundary Service, High Speed Rail ("HSR") and Intercity remained severely impacted due to the on-going boundary closures between Hong Kong and Mainland China 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. Patronage for Airport Express remained relatively steady at 1 million, reflecting the continued impact of pandemic-related measures on air passenger numbers.

During the period under review, MTR continued to offer attractive fare promotions to drive ridership and help offset the economic effects of the pandemic on passengers. The Company also made further enhancements to its popular "MTR Mobile" app and introduced new QR code ticketing payment options to make commuting even easier and more convenient.

Market Share

The Company's overall market share of the franchised public transport market in Hong Kong was 47.2% over the first five months of 2022 compared with 46.2% during the corresponding period in 2021. This was mainly due to additional patronage gained from the full openings of the Tuen Ma Line in June last year and the East Rail Line cross-harbour extension in May this year. Of this total, our share of cross-harbour traffic was 67.1% compared with the 66.7% recorded in the first five months of 2021. Our share of the cross-boundary business, including HSR and the Cross-boundary Service, was 0% due to on-going boundary closures resulting from the pandemic. Our share of traffic to and from the airport over the first five months of 2022 fell to 16.3% from 21.0%, mainly due to the denominator effect resulting from a sharp increase in inbound travellers who were normally under closed-loop quarantine and thereby unable to use any public transport.

Fare Adjustment, Promotions and Concessions

In March 2022, MTR announced that there would be no adjustment of fares in 2022/23 according to the fare adjustment mechanism ("FAM") and that the Overall Fare Adjustment Rate, calculated at 0.5%, would be rolled over to 2023/24. Including the -1.85% fare decrease in 2021/22, this marked the third consecutive time with no fare increase under the FAM. MTR also announced that its special 3.8% fare rebate (0.8% on top of the committed 3.0% rebate under the FAM) would be extended till 1 January 2023, a measure designed to help offset the adverse economic effects of COVID-19 on customers. In addition to the extension of the 3.8% fare rebate, the Company announced there would be no price adjustments for "Monthly Pass Extras", "MTR City Saver" and the "Tuen Mun–Nam Cheong Day Pass"; that the 35%-off "Early Bird Discount Promotion" would be extended until 31 May 2023; and that the interchange discount (HK$0.3 or above) for Green Minibuses covering more than 500 designated routes would be continued. In total, these promotions are worth over HK$600 million for 2022/23. To further reduce economic hardship and promote accessibility and inclusivity, the Company also continued to offer approximately HK$2.2 billion in on-going fare concessions to customers from all walks of life, including commuters, the elderly, children, eligible students and persons with disabilities.

The FAM is normally reviewed every five years. The next review is expected to begin in the second half of this year and conclude in the first half of 2023. The FAM after review will take effect in June/July 2023. Preparation work for the review has already commenced.

Service Performance

MTR continued to achieve excellent service reliability during the reporting period with passenger journeys on-time and train service delivery rates of 99.9% along its heavy rail network. Such performance exceeds the Company's Operating Agreement and its own even more demanding Customer Service Pledge.

In the first half of 2022, MTR ran more than 0.78 million trips on its heavy rail network and more than 0.42 million trips on its light rail network, with just four delays lasting 31 minutes or more and attributable to factors within the Company's control on the former and no delays of such nature on the latter. We place the highest possible priority on passenger safety, and we closely review all incidents with the objective of preventing similar situations from occurring again.

Enhancing the Customer Experience

From delivering safe, reliable and affordable transport services to building high-quality commercial and residential properties, MTR is committed to providing a world-class customer service experience. During the first six months of the year, the Company continued to expand and improve its Hong Kong transport network, enhance the comfort of its trains and stations, and embark upon exciting new smart technology initiatives designed to make commuting faster, easier and more enjoyable than ever.

Boosting Passenger Convenience

On 15 May 2022, the East Rail Line Cross-Harbour Extension commenced service, signifying the completion of the Shatin to Central Link project. In addition to creating Hong Kong's fourth rail line crossing Victoria Harbour, the extension includes the new Exhibition Centre Station, the expanded Admiralty and Hung Hom stations, and renovated platforms and enhanced facilities along the East Rail Line. To celebrate the opening, MTR welcomed 2,000 people to take the inaugural ride of the new service from Exhibition Centre Station to Hung Hom Station. The Company also distributed 100,000 free domestic single-journey rides, which were available to registered users of MTR Mobile on a first-come, first-served basis. The East Rail Line Cross-Harbour Extension provides another convenient option for passengers to travel throughout the territory and underscores MTR's purpose to "keep cities moving".

Greater Comfort for Passengers

MTR has ordered 93 new heavy rail eight-car trains and 40 new light rail vehicles as part of its programme to retire older trains and vehicles and replace them with new models. As at 30 June 2022, the Company had received delivery of 13 new eight-car heavy rail trains. Twenty-two new light rail vehicles had also been delivered, of which 18 had been put into passenger service.

Under our chiller replacement programme, a total of 154 chillers will be replaced with newer, more energy-efficient models that will reduce about 15,000 tonnes of CO2 and deliver increased comfort for station passengers. The last phase, which involves the replacement of the remaining 33 chillers, is expected to be completed in 2023. A new replacement programme will follow, and a total of 31 chillers are expected to be replaced progressively from 2023 to 2026 to achieve further reduction in CO2 emissions.

Operations Performance in the first half of 2022

Service Performance Item	Performance Requirement	Customer Service Pledge Target	**Actual Performance**
Train service delivery			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line and South Island Line	98.5%	99.5%	**99.9%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.8%**
– East Rail Line [1]	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 [1]	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 and South Island Line	98.0%	99.0%	**99.9%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line [1]	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	850,000	**4,439,889**
– East Rail Line and Tuen Ma Line	N/A	850,000	**7,746,652**
Ticket reliability: smart ticket transactions per ticket failure			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line, Airport Express, East Rail Line and Tuen Ma Line	N/A	11,500	**40,720**
Add value machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line	98.0%	99.0%	**99.9%**
Ticket machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.8%**
– East Rail Line	97.0%	99.0%	**99.9%**
– Tuen Ma Line	97.0%	99.0%	**99.8%**
– Light Rail	N/A	99.0%	**99.8%**
Ticket gate reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.9%**
– East Rail Line	97.0%	99.0%	**99.9%**
– Tuen Ma Line	97.0%	99.0%	**99.9%**
Light Rail platform Octopus processor reliability	N/A	99.0%	**99.9%**
Escalator reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line	98.0%	99.0%	**99.9%**
Passenger lift reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.8%**
– East Rail Line	98.5%	99.5%	**99.9%**
– Tuen Ma Line	98.5%	99.5%	**99.8%**
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%	**99.9%**
Cleanliness			
– Train compartment: cleaned daily	N/A	99.0%	**99.9%**
– Train exterior: washed every two days (on average)	N/A	99.0%	**100%**
Northwest transit service area bus service			
– Service Delivery	N/A	99.0%	**99.7%**
– Cleanliness: washed daily	N/A	99.0%	**100%**
Passenger enquiry response time within six working days	N/A	99.0%	**100%**

Notes:

1 *The performance requirement, customer service pledge target and actual performance result will be available upon completion of two-year revenue operations of the East Rail Line Cross-Harbour Extension which commenced services on 15 May 2022. The figure reflects from January to May only.*

2 *The performance requirement, customer service pledge target and actual performance result will be available upon completion of two-year revenue operations of the Tuen Ma Line.*

Our existing signalling system ("SACEM System") is in the process of being replaced and upgraded along the Island, Tseung Kwan O, Kwun Tong and Tsuen Wan lines.

While the replacement of the signalling hardware along our tracks has been progressing well, the contractor is taking longer than expected to complete the software safety assurance processes required by the Corporation, due to the technical complexities involved and the pandemic situation. This work is of critical importance to assure the safety of the new signalling system and we shall continue to work closely with the contractor to progress the project.

Taking into account the significant challenges encountered in the signalling replacement project in terms of programme and costs, we have:

- taken steps to ensure that the programme to bring in the new trains can proceed as planned (by equipping the trains in stages with the SACEM System) and the first of the 93 new trains is expected to come into service in the fourth quarter of 2022;
- embarked upon certain asset replacements in the SACEM System, so as to be able to continue to provide quality and reliable train services in the short term; and
- started to study alternative options which might deliver improved outcomes and their associated costs within a reasonable time span. There are a number of options being studied which include the possibility of upgrading the existing SACEM System for the long run as a possible alternative to the full implementation of the new signalling system.

We continually work to ensure that our stations are accessible and comfortable for passengers. In 2022, we furthered our "Go Smart Go Beyond" programme by introducing smart toilets in Central, Exhibition Centre, Hong Kong and Tsim Sha Tsui stations, which provide passengers with information on toilet availability and indoor air quality via digital displays. Other station enhancements include providing charging sockets for powered wheelchairs; refurbishing escalators and installing an escalator object identification system; repainting light rail stops for greater visibility and safety; and installing additional seats for passengers in need.

Smart Mobility, Operations and Maintenance

Innovation and technology are critical components of MTR's Corporate Strategy, and they are also key drivers for identifying opportunities that can help us improve the customer experience and grow our business. In February 2022, we made purchasing tickets even more convenient and flexible by adding UnionPay and WeChat Pay to our QR code ticketing service along with the existing AlipayHK and MTR Mobile platforms. QR code payment now covers 96 MTR heavy rail stations. In May 2022, we introduced "Cross-Harbour Easy" at the concourse and interchange platform of Admiralty Station. This feature displays real-time traffic and frequency conditions along the Tsuen Wan and East Rail line platforms to help passengers choose the more time-saving route for their cross-harbour journeys. We also added Train Car Loading Indicator on platforms along the East Rail Line during the first half of the year. Throughout the period under review, we continued to provide the latest news, promotions and useful functions via our popular MTR Mobile app.

In addition to developing and launching cutting-edge technological features that help our passengers make the most of their journeys, we also strive to work smart behind the scenes to ensure world-class safety and reliability along our rail network. Earlier this year, MTR introduced the SACEM Remote Monitoring and Alarm Detection ("AI SACEM") platform, which the Company has been co-developing with Alibaba Cloud using artificial intelligence since 2021. AI SACEM streams fault log data via mobile connection for engineers to carry out Big Data analysis, enabling early fault detection and response. This platform has now been installed in our Operation Control Centre, Data Studio and three depot control centres.

During the period under review, MTR became the first global transport operator to join The Sandbox metaverse, a leading decentralised virtual gaming world. Under this partnership, MTR and The Sandbox will create a railway-focused immersive virtual space that mimics and gamifies the railway environment. Through this initiative, we aim to take the customer experience to a new level, bring MTR closer to the communities it serves and facilitate STEM education.

Composite photograph at Kowloon Station

HONG KONG TRANSPORT SERVICES

STATION COMMERCIAL BUSINESSES

HIGHLIGHTS

- Increase of 23 station shops with the opening of the East Rail Line Cross-Harbour Extension
- New data centre service launched in February 2022

HK$ million	Six months ended 30 June 2022	2021	Inc./(Dec.) %
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	**774**	808	(4.2)
Advertising Revenue	**352**	344	2.3
Telecommunication Income	**316**	302	4.6
Other Station Commercial Income	**39**	42	(7.1)
Total Revenue	**1,481**	1,496	(1.0)
EBITDA	**1,237**	1,276	(3.1)
EBIT	**1,098**	1,145	(4.1)
EBITDA Margin (in %)	**83.5%**	85.3%	(1.8)% pts.
EBIT Margin (in %)	**74.1%**	76.5%	(2.4)% pts.

In the first half of 2022, total revenue from all of our Hong Kong station commercial businesses decreased slightly by 1.0% year on year to HK$1,481 million. This was mainly due to lower rental revenue as a result of negative rental reversions on renewals and new lets.

Regarding the performance of each of our station commercial businesses, rental revenue from station shops decreased by 4.2% to HK$774 million, which was primarily attributed to negative rental reversions. To help counter the economic effects of the pandemic, we attracted and retained tenants by offering flexible and/or shorter-term leases, particularly to small to medium sized enterprises; reviewing our tenant mix to drive rental revenue and meet the changing needs of our customers; and introducing new brands to keep our retail portfolio fresh.

As at 30 June 2022, the total number of retail shops in our stations was 1,566, covering 68,656 square metres of station retail area. The net increase in the number of station shops compared with the first six months of last year was primarily due to the opening of new shops at Exhibition Centre Station. Rental reversion and average occupancy rates for our station kiosks were -13.5% and 97.4%, respectively.

To drive traffic and sales during the challenging period, MTR launched promotional campaigns for station shops via MTR Mobile and the MTR Points loyalty programme, leveraging the app's large user base to raise awareness of a variety of marketing initiatives. These included a Stamp Reward campaign to stimulate spending, especially during the third round of Government's Consumption Voucher Scheme. MTR also distributed station shop cash coupons to passengers to encourage spending and promoted new MTR Shops brands with station posters.

As at 30 June 2022, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 40% will expire in 2022, 26% in 2023, 20% in 2024, and 14% in 2025 and beyond.

In terms of trade mix, food and beverage accounted for approximately 34% of the leased area of our station kiosks (excluding Duty Free shops), followed by cake shops at 12%, convenience stores at 12%, passenger services at 11% and others at 31% as at 30 June 2022.

Riding on the popularity of the MTR Mobile app, we launched a brand new in-app sales platform, MTR e-Store, in May 2022. MTR e-Store offers MTR-branded merchandise and unique experiences for railway fans as well as the general public.

Revenue from advertising increased by 2.3% to HK$352 million in the first half of 2022 in spite of the challenging environment. However, the fifth wave of the COVID-19 pandemic disrupted consumption-related activities, and the outlook remains uncertain. We were able to record growth largely due to our strategy of moving towards digital panels, upgrading our content distribution speed and capability, and offering online-offline sales bundles via mobile app. During the period, we also introduced programmatic trading to our media business to attract online advertising spending and cater for the media market through precise audience targeting and the provision of more flexible, creative display options.

As at 30 June 2022, the total number of advertising units in our stations and trains had decreased to 42,792. This was due in part to the reduction of in-train tube cards in the new East Rail Line trains.

Revenue from our telecommunications business improved by 4.6% to HK$316 million in the first half of 2022. The data centre service at Tseung Kwan O has been up and running since February 2022. We are currently exploring other data centre opportunities. Elsewhere, 5G service has now been launched at 70 stations throughout our network. We are currently in detailed discussions with telecom operators about project requirements for a new commercial telecom system that supports more 5G services and even faster data throughput. We target to tender the project in the second half of the year.

Composite photograph at LOHAS Park

PROPERTY AND OTHER BUSINESSES

HIGHLIGHTS

- Awarded the Pak Shing Kok Ventilation Building and Tung Chung Traction Substation Property Development projects
- Booked property development profits mainly from LOHAS Park Package 10, THE SOUTHSIDE Package 1 and Package 2 and sales of inventory units

HK$ million	Six months ended 30 June 2022	2021	Inc./(Dec.) %
Hong Kong Property Rental and Property Management Businesses			
Revenue from Property Rental	**2,188**	2,392	(8.5)
Revenue from Property Management	**119**	119	–
Total Revenue	**2,307**	2,511	(8.1)
EBITDA	**1,873**	2,078	(9.9)
EBIT	**1,865**	2,067	(9.8)
EBITDA Margin (in %)	**81.2%**	82.8%	(1.6)% pts.
EBIT Margin (in %)	**80.8%**	82.3%	(1.5)% pts.

Property Rental and Management

Property rental revenue decreased by 8.5% to HK$2,188 million in the first half of 2022, which was the result of rental concessions provided to tenants as well as negative rental reversions. Rental concessions are considered on a case-by-case basis and they 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 rate of -6.8%. Our shopping malls in Hong Kong and the Company's 18 floors in Two International Finance Centre were 99% and 92% let on average, respectively.

To drive mall traffic and stimulate spending during a challenging period, MTR launched a series of promotional campaigns such as Chinese New Year Markets, "Fun Family Farming" events and an Organic Farmers' Market. Over the first half of the year, we also launched tactical MTR Mobile marketing promotions to targeted users based on their shopping behaviours.

As at 30 June 2022, our attributable share of investment properties in Hong Kong was 256,890 square metres of lettable floor area of retail properties, 39,457 square metres of lettable floor area of office space and 19,634 square metres of property for other use.

As at 30 June 2022, the lease expiry profile of our shopping malls by area occupied was such that approximately 16% will expire in 2022, 32% in 2023, 26% in 2024, and 26% in 2025 and beyond.

In terms of trade mix, 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 21%, leisure and entertainment at 18%, and department stores and supermarkets at 9%.

Property management revenue in Hong Kong was HK$119 million over the first six months of the year. As at 30 June 2022, MTR managed 115,557 residential units and over 820,000 square metres of commercial and office space.

Property Development and Tendering

Hong Kong property development profit (post-tax) for the first half of 2022 was HK$7,747 million, which was mainly derived from proceeds from LOHAS Park Package 10, THE SOUTHSIDE Package 1 and Package 2 and sales of inventory units from various development projects.

The first half of the year under review saw pre-sale activities continue for several important property development projects. As at 30 June 2022, SOUTHLAND (THE SOUTHSIDE Package 1) and La Marina (THE SOUTHSIDE Package 2) were 78% and 83% sold, respectively, while LP10 (LOHAS Park Package 10) was 89% sold. All units of SEA TO SKY (LOHAS Park Package 8) as well as MARINI, GRAND MARINI and OCEAN MARINI (LOHAS Park Package 9) have been sold. Pre-sales for Villa Garda I (LOHAS Park Package 11) were launched on 30 June 2022. Applications for pre-sale consent for THE SOUTHSIDE Package 4, Ho Man Tin Station Package 2 and LOHAS Park Package 12 are in progress.

For West Rail property development projects, where we act as agent for relevant subsidiaries of the Kowloon-Canton Railway Corporation ("KCRC"), sales activities continued for the Cullinan West Development (Nam Cheong Station). Pre-sales for The YOHO Hub Phase 1 (Yuen Long Station) were launched in December 2021, with 43% of units sold as at 30 June 2022. Pre-sale consent for The YOHO Hub Phase 2 has been obtained. Pre-sales for GRAND MAYFAIR I and II (Kam Sheung Road Station Package 1) were launched in April and May 2022, respectively, with 99% and 82% of units sold as at 30 June 2022.

In April 2022, we awarded the Pak Shing Kok Ventilation Building Property Development project to a consortium formed by New World Development Company Limited and China Merchants Land Limited. In July 2022, the Tung Chung Traction Substation Property Development project was awarded to a subsidiary of Chinachem Group.

Regarding the issue of concrete quality at THE PAVILIA FARM III (Tai Wai Station Package 3), we continue to work with New World Development Company Limited ("the developer") to ensure that the project meets its design and statutory requirements and that the developer addresses the interests of affected purchasers.

Property Development Packages Completed during the period and Awarded

Location	Developer	Type	Gross floor area (sq. m.)	Tender award date	Expected completion date
Ho Man Tin Station					
Package 1	Great Eagle Group	Residential	69,000	December 2016	By phases in 2024
Package 2	Chinachem Group	Residential	59,400	October 2018	By phases in 2024
LOHAS Park Station					
LP10	Nan Fung Group Holdings Limited	Residential	75,400	March 2016	Completed in 2022
Villa Garda	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	Phase I and II will be completed in the second half of 2022 Phase III 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	Completed in 2022
La Marina	Kerry Properties Limited and Sino Land Company Limited	Residential	45,800	December 2017	2022
Package 3	CK Asset Holdings Limited	Residential Retail	92,900 47,000	August 2018	By phases from 2023 to 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
Pak Shing Kok Ventilation Building					
Pak Shing Kok Ventilation Building	New World Development Company Limited and China Merchants Land Limited	Residential	27,006	April 2022	2031
Tung Chung Traction Substation					
Tung Chung Traction Substation	Chinachem Group	Residential	87,288	July 2022	2031
Kam Sheung Road Station#					
GRAND MAYFAIR	Sino Land Company Limited, China Overseas Land & Investment Limited and K. Wah International Holdings Limited	Residential	114,896	May 2017	By phases from 2024 to 2025
Yuen Long Station#					
The YOHO Hub	Sun Hung Kai Properties Limited	Residential Retail	126,455 11,535^	August 2015	By phases from 2022 to 2023

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

Other Businesses

Revenue from Ngong Ping 360 decreased by 48.8% to HK$22 million over the first six months of 2022 as visitation dropped by 59.5% to approximately 80,000. This was mainly due to the suspension of the cable car service from 7 January to 20 April 2022 following the outbreak of the fifth wave of COVID-19. To keep the attraction top of mind among visitors, we launched virtual tours and various other promotional activities during the period.

Our share of profit from Octopus Holdings Limited ("OHL") increased by 98.0% to HK$198 million in the first half of the year. This was mainly due to a higher retail transaction volume resulting from improved customer sentiment, as well as higher profit sharing following the Company's acquisition of additional shares of OHL in early 2022. As at 30 June 2022, more than 83,000 service providers in Hong Kong accepted Octopus payments. Total cards and other stored-value Octopus products in circulation were 23.9 million, while average daily transaction volumes and value were 12.6 million and HK$320.0 million, respectively. The Company now holds approximately 64% of the shares of OHL after acquiring approximately 6.6% of the shares from New World First Bus and Citybus on 24 January 2022.

GROWING OUR HONG KONG BUSINESSES

HIGHLIGHTS

- Kwu Tung Station scheme gazetted in April 2022 and Tuen Mun South Extension scheme authorised in June 2022
- First major civil contract under Railway Development Strategy 2014 ("RDS 2014") put out to tender in May 2022
- Progressed The Wai and THE SOUTHSIDE shopping malls for opening in 2023

The period under review saw the completion of a major infrastructure project for Hong Kong, the Shatin to Central Link. We also made solid progress on several other projects that promise to deliver quality TOD for residents, connecting communities with faster and more convenient rail services while providing much-needed residential and retail options across the city.

Shatin to Central Link

The Hung Hom to Admiralty Section of the Shatin to Central Link opened in May 2022, marking commencement of service for the East Rail Line Cross-Harbour Extension and the completion of a highly anticipated railway project that connects major urban centres across the territory. The launch also featured the opening of the new Exhibition Centre Station and the expanded Admiralty and Hung Hom stations. With the East Rail Line Cross-Harbour Extension, passengers from the Northeast New Territories and Central Kowloon can now travel directly to Hong Kong Island without having to interchange, thus significantly reducing journey times. The extended East Rail Line includes 16 stations along its 46-km route, connecting Hung Hom Station with the new terminus at Admiralty Station via the new Exhibition Centre Station. The East Rail Line, now Hong Kong's fourth cross-harbour railway line, also offers interchange connections to five existing railway lines for even greater convenience.

Other New Railway Projects

MTR is playing a pivotal role in Government's RDS 2014, which guides Hong Kong's future railway network expansion. Following the gazetting of the Tung Chung Line Extension in December 2021, the Company appointed the preliminary design consultant for the Airport Railway Extended Overrun Tunnel ("ARO") in March 2022 and invited tenders for the first of the major civil contracts – the tunnel and station west of the existing Tung Chung Station – in May 2022. The ARO will facilitate an enhanced turnaround for Tung Chung Line and Airport Express trains. The scheme for the Tuen Mun South Extension was gazetted under the Railways Ordinance in January 2022 and authorised under the Railways Ordinance in June 2022. For the Northern Link project, the scheme for Kwu Tung Station, a railway station between Lok Ma Chau and Sheung Shui stations on the East Rail Line, was gazetted in April 2022. The design of the Northern Link main line, which will connect the Tuen Ma Line and East Rail Line via the new Kwu Tung Station and three intermediate stations, is progressing. Detailed planning and design works continue for Hung Shui Kiu Station, which will be located between Tin Shui Wai and Siu Hong stations along the Tuen Ma Line. We are also working with Government on the South Island Line (West), East Kowloon Line and North Island Line.

It should be noted that the Company is still in various stages of discussion with Government and has yet to enter into project agreements for the Tung Chung Line Extension, Tuen Mun South Extension, Northern Link and Hung Shui Kiu Station projects. Government has announced its intention to proceed with MTR on these projects using the ownership approach. Different funding models, including the Rail plus Property model, may be deployed to ensure commercial returns on the Company's investments.

Meanwhile, preparations are underway for two important projects under Government's Northern Metropolis Development Strategy, a plan outlined by the Chief Executive in the 2021 Policy Address. For the Northern Link Spur Line, a technical proposal has been submitted to Government. Meanwhile, a consultant has been appointed to carry out a technical study for a new Science Park/Pak Shek Kok Station on the East Rail Line.

Expanding the Property Portfolio

Investment Properties

One of our new shopping malls, The Wai at Tai Wai Station, is targeted for opening in mid-2023, while THE SOUTHSIDE at Wong Chuk Hang Station is expected to open in the second half of 2023. Together, these new malls will add 107,620 square metres of GFA, representing approximately 30% of the attributable GFA of MTR's existing retail portfolio.

Residential Property Development

MTR's 15 on-going residential property projects should provide over 20,000 much-needed units to the local housing market.

Detailed design and advance works have commenced for the Oyster Bay Property Development (formerly known as the Siu Ho Wan Depot Topside Property Development); the land grant process is on-going. Subject to market conditions, in the coming 12 months or so, we anticipate tendering out the Tung Chung East Station Package 1 site (subject to entering into a project agreement with Government) and Oyster Bay Property Development Package 1 (i.e., Phase 1 Package 1) (subject to entering into a project agreement with Government for the planned Oyster Bay Station and signing the land grant). For the Tuen Mun South Extension, the rezoning proposal for a mixed-use development at Area 16 has been agreed by the Town Planning Board in June 2022 and is now going through the statutory Outline Zoning Plan gazette procedure.

Elsewhere, we continue to explore potential sites for development along our existing and future railway lines. These include Kwu Tung Station and the Northern Link, Hung Shui Kiu Station, and the new Science Park/Pak Shek Kok Station mentioned in the Chief Executive's 2021 Policy Address as well as other Northern Metropolis Development Strategy projects.

MAINLAND CHINA AND INTERNATIONAL BUSINESSES

HIGHLIGHTS

- The Elizabeth line's Central Operating Section commenced service on 24 May 2022
- Upptåget lines were added to Mälartåg train service
- Impairment provision made in respect of SZL4 service concession assets

Our Mainland China and International businesses form one of the three pillars of MTR's Corporate Strategy for future growth by enabling the Company to explore business opportunities outside its core market of Hong Kong. Over the first six months of 2022, MTR delivered world-class, environmentally friendly mass transit services to approximately 815 million passengers in Mainland China, Macao, Europe and Australia through its subsidiaries, associates and joint ventures. While the COVID-19 pandemic continued to impact patronage, its financial effect on each market varied depending on the business model.

	Mainland China and International Businesses								
	Mainland China and Macao Railway, Property Rental and Property Management Businesses*			International Railway Businesses			Total		
Six months ended 30 June HK$ million	**2022**	2021	Inc./(Dec.) %	**2022**	2021	Inc./(Dec.) %	**2022**	2021	Inc./(Dec.) %
Recurrent Businesses									
Subsidiaries									
Revenue	**818**	879	(6.9)	**12,332**	11,171	10.4	**13,150**	12,050	9.1
EBITDA	**121**	148	(18.2)	**802**	431	86.1	**923**	579	59.4
EBIT	**114**	142	(19.7)	**677**	303	123.4	**791**	445	77.8
EBIT (Net of Non-controlling Interests)	**114**	142	(19.7)	**481**	194	147.9	**595**	336	77.1
EBITDA Margin (in %)	**14.8%**	16.8%	(2.0)% pts.	**6.5%**	3.9%	2.6% pts.	**7.0%**	4.8%	2.2% pts.
EBIT Margin (in %)	**13.9%**	16.2%	(2.3)% pts.	**5.5%**	2.7%	2.8% pts.	**6.0%**	3.7%	2.3% pts.
Recurrent Business Profit	**94**	**154**	**(39.0)**	**270**	**104**	**159.6**	**364**	**258**	**41.1**
Associates and Joint Ventures									
Share of EBIT	**706**	824	(14.3)	**46**	33	39.4	**752**	857	(12.3)
Share of Profit	**257**	**399**	**(35.6)**	**35**	**31**	**12.9**	**292**	**430**	**(32.1)**
EBIT of Subsidiaries (Net of Non-controlling Interests) and Share of EBIT of Associates and Joint Ventures	**820**	966	(15.1)	**527**	227	132.2	**1,347**	1,193	12.9
(Loss)/Profit Attributable to Shareholders of the Company									
– Arising from Recurrent Businesses (before Business Development Expenses and Impairment Loss)							**656**	**688**	**(4.7)**
– Business Development Expenses							**(140)**	(122)	14.8
– Arising from Recurrent Businesses (after Business Development Expenses but before Impairment Loss)							**516**	**566**	**(8.8)**
– Impairment Loss on Shenzhen Metro Line 4							**(962)**	–	n/m
– Arising from Recurrent Businesses (after Business Development Expenses and Impairment Loss)							**(446)**	**566**	**n/m**
– Arising from Mainland China Property Development							**39**	29	34.5
– Arising from Underlying Businesses							**(407)**	**595**	**n/m**

n/m: not meaningful

* *Excluding the impairment loss of HK$962 million on Shenzhen Metro Line 4 in the Mainland China*

Excluding Mainland China property development, our railway, property rental and management subsidiaries (after business development expenses), together with our associates and joint ventures outside of Hong Kong, contributed a net after-tax profit of HK$516 million in the first half of 2022 on an attributable basis, compared with the net after-tax profit of HK$566 million recorded during the first six months of 2021, before the HK$962 million impairment provision made for SZL4.

In Mainland China and Macao, recurrent business profit from railway, property rental and property management subsidiaries decreased from HK$154 million to HK$94 million in the first six months in 2022. This was mainly due to the new wave of COVID-19 in the first half of 2022, which resulted in decreased patronage.

In our International businesses, recurrent business profit from our railway subsidiaries increased from HK$104 million to HK$270 million in the first half of 2022. This was mainly because of the contribution from the revenue reset of Metro Trains Melbourne and the Company’s recognition of profit from Sydney Metro City & Southwest as construction progressed.

Our share of profits from our associates and joint ventures decreased from HK$430 million to HK$292 million during the first half of 2022. This was mainly due to the new wave of COVID-19 infections in Mainland China, which led to stringent anti-pandemic measures and reduced patronage.

Railway Businesses in Mainland China

Beijing

In Beijing, our associate operates Beijing Metro Line 4, the Daxing Line, Beijing Metro Line 14, the Northern and Middle sections of Beijing Metro Line 16 (“BJL16”), and the initial section of Beijing Metro Line 17. These lines have been performing with train service punctuality and delivery of 99.9% in the first half of 2022. COVID-19 continued to impact patronage during the reporting period. Construction continued for the remaining sections of BJL16, and the full line is expected to open by 2023.

Shenzhen

SZL4, including the SZL4 North Extension, is operated by our wholly owned subsidiary. The line maintained stable operations over the first half of the year with an on-time performance of 99.9%. Since the outbreak of COVID-19 in 2020, the daily patronage of SZL4 was materially impacted.

In July 2020, the Shenzhen Municipal Government announced that a fare adjustment framework for the Shenzhen Metro network would come into effect on 1 January 2021. The framework was expected to enable the establishment of a mechanism for fare setting and the implementation procedures for fare adjustments. Up to 30 June 2022, there has been no increase in SZL4’s fare since we started operating the line in 2010 whilst the operating costs continue to rise. As we have been warning repeatedly for some time, if a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

As it is anticipated that the mechanism and procedures for fare adjustments will take longer time to implement and patronage will remain at a lower level for a period of time, an impairment test was performed for SZL4, which carried a book value of HK$4,589 million, and the corresponding recoverable amount was determined at HK$3,627 million as at 30 June 2022. As such, an impairment provision of HK$962 million was recognised for the SZL4 service concession assets in the consolidated profit and loss account for the six months ended 30 June 2022.

Elsewhere, construction of Shenzhen Metro Line 13 continued to progress with key contracts awarded.

Hangzhou

Our businesses in Hangzhou include Hangzhou Metro Line 1 (“HZL1”), the HZL1 Xiasha Extension and Airport Extension, and Hangzhou Metro Line 5 (“HZL5”). All lines achieved stable operations over the first six months of the year. HZL5’s Baoshanqiao Station opened on 1 April 2022.

Property Business in Mainland China

As at 30 June 2022, 28 of the remaining 32 units at the Tiara, the residential development at SZL4 Depot Site Lot 1, had been sold. Foot traffic at TIA Mall in Shenzhen and Ginza Mall in Beijing continued to be impacted by the COVID-19 pandemic.

The shopping mall at Tianjin Beiyunhe Station is targeted for completion after 2024. Meanwhile, we continued to make good progress on the Hangzhou West Station TOD project in the first half of 2022.

Macao Railway Business

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line. MTR is also providing project management and technical support services for the Taipa Line Extension to Barra, Seac Pai Van Line and Hengqin Line.

Europe Railway Businesses

United Kingdom

The Central Operating Section of the Elizabeth line owned by Transport for London ("TfL") opened on 24 May 2022, one week following a ceremonial event attended by Queen Elizabeth II. Our wholly owned subsidiary was awarded the concession by TfL to operate the service starting from 2015 (initially under the "TfL Rail" brand name), and it also manages 28 of the line's 41 stations. During the period under review, the Elizabeth line achieved stable operations. The Company's financial interest is reasonably protected as this concession carries no fare revenue risk.

Our associate operates the South Western Railway franchise, one of the largest rail networks in the UK, and achieved stable operations over the first six months of the year. In 2021, we signed a National Rail Contract for a two-year term that will last till May 2023. Under this agreement, the UK Department for Transport retains all revenue risk and substantially all cost risk.

Sweden

MTR is the largest rail operator in Sweden by passenger volume. We operate four rail businesses in the country via wholly owned subsidiaries: Stockholm Metro (Stockholms tunnelbana), MTRX, the Stockholm commuter rail service (Stockholms pendeltåg) and Mälartåg regional traffic.

Stockholm Metro achieved stable operations over the first six months of the year. At MTRX, where the pandemic has significantly impacted ticket revenue, patronage gradually began to return following the lifting of all COVID-19 restrictions in February 2022. We continue to explore options on how best to move forward with this business. We took over operations for Mälartåg regional traffic from December 2021. With the conclusion of the legal challenge by competing bidders, the interim agreement has reverted to an eight-year agreement with the possibility of a one-year extension. We took over the Upptåget lines as part of Mälartåg regional traffic from 12 June 2022. Performance for Mälartåg regional traffic as well as Stockholm commuter rail was affected by the pandemic as well as other factors over the first six months of the year.

Australia Railway Businesses

The Melbourne metropolitan rail network achieved stable operations during the period under review despite anti-pandemic measures continuing to affect patronage.

The Sydney Metro North West Line also achieved stable operations. Meanwhile, we continued to make progress on the manufacturing, testing and commissioning of new trains for the Sydney Metro City & Southwest Project.

Growth Outside of Hong Kong

During the reporting period, the Company continued to seek opportunities to develop transport infrastructure, property and community development projects in Mainland China and overseas. Discussions on station retail and related businesses in Chengdu as well as opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") are on-going.

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 detail.

Consolidated Profit and Loss

	Six months ended 30 June		Favourable/(Unfavorable) Change	
HK$ million	**2022**	2021	HK$ million	%
Total Revenue	**23,033**	**22,317**	**716**	**3.2**
Recurrent Business (Loss)/Profit[ζ]				
EBIT				
Hong Kong Transport Services				
– Hong Kong Transport Operations	**(2,775)**	(2,285)	(490)	(21.4)
– Hong Kong Station Commercial Businesses	**1,098**	1,145	(47)	(4.1)
Total Hong Kong Transport Services	**(1,677)**	(1,140)	(537)	(47.1)
Hong Kong Property Rental and Management Businesses	**1,865**	2,067	(202)	(9.8)
Mainland China and International Railway, Property Rental and Management Subsidiaries*	**791**	445	346	77.8
Other Businesses, Project Study and Business Development Expenses	**(317)**	(294)	(23)	(7.8)
Share of Profit of Associates and Joint Ventures	**490**	530	(40)	(7.5)
Total Recurrent EBIT (before Impairment Loss)	**1,152**	**1,608**	**(456)**	**(28.4)**
Impairment Loss on Shenzhen Metro Line 4	**(962)**	–	(962)	n/m
Total Recurrent EBIT (after Impairment Loss)	**190**	**1,608**	**(1,418)**	**(88.2)**
Interest and Finance Charges	**(501)**	(482)	(19)	(3.9)
Income Tax	**(171)**	(105)	(66)	(62.9)
Non-controlling Interests	**(196)**	(109)	(87)	(79.8)
Recurrent Business (Loss)/Profit	**(678)**	**912**	**(1,590)**	**n/m**
Property Development Profit (Post-tax)				
Hong Kong	**7,747**	3,052	4,695	153.8
Mainland China	**39**	29	10	34.5
Property Development Profit (Post-tax)	**7,786**	**3,081**	**4,705**	**152.7**
Underlying Business Profit[ε]	**7,108**	**3,993**	**3,115**	**78.0**
Loss from Fair Value Measurement of Investment Properties	**(2,376)**	(1,320)	(1,056)	(80.0)
Net Profit Attributable to Shareholders of the Company	**4,732**	**2,673**	**2,059**	**77.0**

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 China and international railway, property rental and management businesses and other businesses (excluding fair value measurement on investment properties in Hong Kong and Mainland China).

** Excluding the impairment loss of HK$962 million in respect of Shenzhen Metro Line 4 in the Mainland China.*

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

n/m: not meaningful

Certain comparative figures have been reclassified to conform to current period's presentation.

Our recurrent business financial performance for the six months ended 30 Jun 2022 was adversely impacted by the outbreak of the fifth wave of COVID-19 in Hong Kong, as well as the impairment provision of HK$962 million made in respect of investment in Shenzhen Metro Line 4 in the Mainland China. On the other hand, our property development business recorded increased profit as three of our development projects happened to have profits booked in the same period.

Total Revenue

The Group's total revenue for the six months ended 30 June 2022 increased by 3.2% to HK$23,033 million when compared to the same period in 2021. The increase was mainly contributed by our Mainland China and international businesses including (i) higher revenue from our Melbourne transport operations and more project activities relating to Metro Tunnel Project and (ii) increase in design and delivery income from Sydney Metro City & Southwest project and construction income from Shenzhen Metro Line 13 project, but partly offset by weaker Hong Kong businesses revenue due to the fifth wave of COVID-19 which impacted Domestic fare revenue of our Hong Kong transport operations ("HKTO") and rental income of our Hong Kong property rental and management businesses ("HKPR&M"). Our patronage of HKTO in February and March 2022 experienced the lowest level since the outbreak of COVID-19.

Continuation of boundary closures of major railway passenger boundary crossings between Hong Kong and the Mainland China and various air travel restrictions during the period in review continued to have material adverse impacts on our Cross-boundary and Airport Express fare revenue, Duty Free Shops and other rental revenue when visitor arrivals remained at minimal levels.

Recurrent Business (Loss)/Profit

During the six months ended 30 June 2022, the reintroduction and further tightening of anti-pandemic measures during the fifth wave of the COVID-19 driven by the highly transmissible Omicron mutant strain have severely impacted the financial performance of our Hong Kong recurrent business, in particular a significant decrease in patronage. Outside of Hong Kong, though our Melbourne transport operations and Sydney Metro City & Southwest project improved in profit, our railway businesses in the Mainland China were significantly impacted by the outbreak of Omicron there.

Besides, the Group recognised an impairment provision of HK$962 million in respect of Shenzhen Metro Line 4 resulting from the no fare increase situation as explained in the past. As a result, the Group's recurrent business reported a loss of HK$678 million for the six months ended 30 June 2022, compared to a profit of HK$912 million in 2021. Excluding the HK$962 million impairment provision, our recurrent profit would have been HK$284 million, a decrease of HK$628 million (68.9%) as compared with the same period in 2021.

EBIT

HKTO: Significant EBIT loss of HK$2,775 million was recorded for the six months ended 30 June 2022 with the loss widened by HK$490 million compared to the same period in 2021. This was due to the decrease in our Domestic patronage and fare revenue when the fifth wave of COVID-19 struck Hong Kong in early 2022 resulting in (a) the further tightening of social distancing measures by the Government; (b) the arrangements of the Government and certain commercial organisations for their employees to work from home; and (c) the suspension of face-to-face school classes and the bringing forward of school summer holidays. This adverse impact on HKTO EBIT was mitigated by our collective effort in maintaining stringent cost control measures. Our Domestic patronage started to rebound since late April 2022 following the easing of social distancing measures, as well as the incremental patronage brought by the opening of East Rail Line Cross-Harbour Extension in May 2022.

HKTO continued to report a significant loss as Cross-boundary Service, High Speed Rail and Intercity patronage remained severely impacted by the on-going closures of boundary railway crossings between Hong Kong and the Mainland China since early 2020, and Airport Express patronage also experienced substantial reduction as various air travel restrictions continued.

Hong Kong station commercial businesses ("HKSC"): EBIT decreased slightly by HK$47 million (4.1%) to HK$1,098 million. HKSC has been significantly impacted by the pandemic since February 2020, when the revenue stream from Duty Free Shops was lost due to the closure of boundary crossing stations. The further decrease in EBIT when compared to the same period in 2021 was mainly due to the lower rental income from station kiosks along the Domestic lines, as a result of negative rental reversions experienced on renewals and new lets.

HKPR&M: EBIT decreased by HK$202 million (9.8%) to HK$1,865 million. The decrease in EBIT when compared to the same period in 2021 was mainly due to more rental concessions granted and amortised in 2022, and the negative rental reversions experienced on renewals and new lets in the backdrop of the fifth wave of COVID-19. A series of promotional campaigns was launched to drive mall traffic and stimulate spending during this challenging period.

Mainland China and international railway, property rental and management business subsidiaries: The COVID-19 continued to adversely impact our Mainland China and international business subsidiaries to varying degrees, depending on the impact of the pandemic in the different cities we operate and the revenue exposure under different business models in such cities. EBIT profit for the six months ended 30 June 2022 improved by HK$346 million (77.8%) to HK$791 million, mainly due to better performance of our Melbourne transport operation and Sydney Metro City & Southwest project.

Other businesses, project study and business development expenses: EBIT loss from these businesses was HK$317 million for the six months ended 30 June 2022, compared to the loss of HK$294 million for the same period in 2021. The incurred loss is mainly due to service suspension of Ngong Ping 360 during the fifth wave of COVID-19.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures decreased by HK$40 million (7.5%) to HK$490 million for the six months ended 30 June 2022. This was mainly due to the new wave of COVID-19 infections in Mainland China which adversely impacted our Hangzhou operations, partially mitigated by an increase in profit sharing from Octopus Holdings Limited ("OHL") resulting from higher retail transaction volume as a result of the increase in consumer sentiment, as well as our increased shareholding since early 2022.

Impairment Loss on Shenzhen Metro Line 4

As we have been warning repeatedly for some time, if a suitable fare increase and adjustment mechanism are not implemented in Shenzhen soon, the long-term financial viability of this line will be impacted. In this connection, an impairment provision of HK$962 million was made in the first half of 2022 for Shenzhen Metro Line 4 as it is anticipated that the mechanism and procedures for fare adjustments will take longer time to implement and patronage will remain at a lower level for a period of time.

Total Recurrent EBIT

Total recurrent EBIT before impairment loss decreased by HK$456 million (28.4%) to HK$1,152 million. Including the impairment loss on Shenzhen Metro Line 4 of HK$962 million, total recurrent EBIT decreased by HK$1,418 million (88.2%) to HK$190 million.

Income Tax

Income tax increased by HK$66 million (62.9%) to HK$171 million for the six months ended 30 June 2022. It was mainly due to the increase in proportion of profit arising in tax jurisdictions with relatively higher tax rates including Australia and the United Kingdom.

Since the Rail Merger in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of the amortisation of upfront payment and cut-over liabilities, and fixed annual payments and variable annual payments relating to the Rail Merger (collectively "the Sums"). The total tax amount in respect of the Sums for the years of tax assessment from 2007/2008 to 2021/2022 amounted to HK$4.4 billion. As disclosed in previous years, the Inland Revenue Department of Hong Kong ("IRD") issued notices of profits tax assessments/additional profits tax assessments for the years of assessment from 2009/2010 to 2017/2018 disallowing deduction of the Sums in the computation of the Company's assessable profits. Based on the strength of advice from the external legal counsels and tax advisor, the Company has lodged objections against these tax assessments (regarding the deductibility of the Sums) and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover of the additional tax demanded subject to the purchases of tax reserve certificates ("TRCs") amounting to HK$2.3 billion. The Company has purchased the required TRCs and the additional tax demanded has been held over by IRD. The purchases of TRCs do not prejudice the Company's tax position and the purchased TRCs were included in debtors and other receivables in the Group's consolidated statement of financial position.

On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing with the objections lodged by the Company and confirming profits tax assessment/additional profits tax assessments in respect of the Sums in dispute for the years of assessment from 2011/2012 to 2017/2018 (i.e. holding that the Sums are not deductible in the computation of the Company's assessable profits for those years of assessment). The Company re-affirmed the case with the external legal counsel who advised the Company previously and the tax advisor, and obtained further advice from another external legal counsel. Based on the advice from the external legal counsels and tax advisor, the directors of the Company believe that the Company has strong legal grounds and have determined to contest and appeal against the assessments for the years of assessment from 2011/2012 to 2017/2018. Accordingly, the Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022. No additional tax provision has been made as a result of the determination received in respect of the above notices of profits tax assessments/additional profits tax assessments and other relevant years of assessment. As of the date of this interim report, the date of hearing before the Board of Review is yet to be fixed.

Property Development Profit (Post-tax)

Property development profit (post-tax) increased from HK$3,081 million to HK$7,786 million for the six months ended 30 June 2022, which was mainly derived from the share of surplus proceeds and income of LP10 (LOHAS Park Package 10), SOUTHLAND (THE SOUTHSIDE Package 1) and La Marina (THE SOUTHSIDE Package 2), as well as sales of inventory units.

Loss from Fair Value Measurement of Investment Properties

The revaluation of the Group's investment properties in Hong Kong and Mainland China, which was performed by independent professional valuation firms, resulted in a revaluation loss of HK$2,389 million (or a revaluation loss after tax of HK$2,376 million), representing an approximate 2.8% drop against the value as at 31 December 2021. This loss was mainly explained by the continued negative rental reversions recorded for the six months ended 30 June 2022.

Net Profit Attributable to Shareholders of the Company

Taking into account the Group's recurrent businesses, property development businesses and fair value measurement of investment properties, the Group reported a net profit attributable to shareholders of the Company of HK$4,732 million for the six months ended 30 June 2022, compared to a net profit of HK$2,673 million for the same period in 2021.

Consolidated Financial Position

HK$ million	**At 30 June 2022**	At 31 December 2021	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Net Assets	**177,928**	180,037	(2,109)	(1.2)
Total Assets	**292,294**	292,082	212	0.1
Total Liabilities	**114,366**	112,045	2,321	2.1
Gross Debt^	**39,288**	43,752	(4,464)	(10.2)
Net Debt-to-equity Ratio$^{\delta}$	**12.7%**	18.1%		(5.4)% pts.

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

δ *Net debt-to-equity ratio represents net debt of HK$22,672 million (31 December 2021: HK$32,660 million), which comprises bank overdrafts, 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$177,928 million (31 December 2021: HK$180,037 million).*

Net Assets

Our financial position remains strong. The Group's net assets decreased slightly by 1.2% to HK$177,928 million as at 30 June 2022. This was mainly due to the accrual for the 2021 final ordinary dividend for payment in July 2022, and partly mitigated by the net profit recognised for the six months ended 30 June 2022.

Total Assets

Total assets increased slightly by 0.1% to HK$292,294 million. This was mainly due to the cash receipts of our Hong Kong property development projects, partly offset by the loss from fair value measurement of investment properties.

Total Liabilities

Total liabilities increased slightly by 2.1% to HK$114,366 million. This was mainly due to the accrual for the 2021 final ordinary dividend, partly offset by the net repayment of loans.

Gross Debt and Cost of Borrowing

Gross debt of the Group (being bank overdrafts, loans and other obligations, and short-term loans) decreased by 10.2% to HK$39,288 million as at 30 June 2022. Weighted average borrowing cost of the Group's interest-bearing borrowings for the six months ended 30 June 2022 was at 2.2% p.a., unchanged from the same period in 2021.

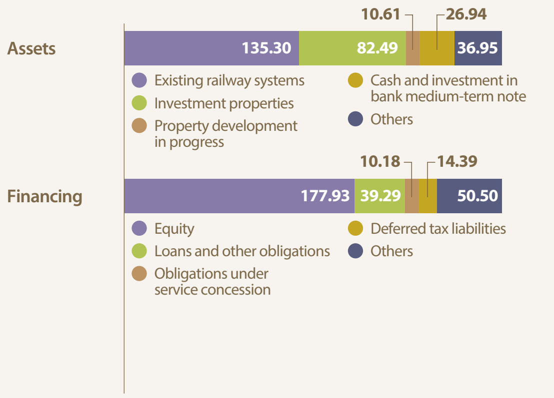
Net Debt-to-equity Ratio

Net debt-to-equity ratio decreased by 5.4% points to 12.7% as at 30 June 2022 from 18.1% as at 31 December 2021. This was mainly due to the cash receipts from Hong Kong property development business.

Simplified Consolidated Statement of Financial Position

As at 30 June 2022

(HK$ billion)



Consolidated Cash Flow

HK$ million	Six months ended 30 June 2022	2021
Net Cash Generated from Operating Activities and after Variable Annual Payment	**3,515**	3,977
Net Receipts from Property Development	**11,152**	12,961
Other Net Cash Outflow from Investing Activities	**(4,270)**	(4,007)
Net Repayment of Debts, Net of Lease Rental and Interest Payments	**(4,344)**	(4,033)
Increase in Cash, Bank Balances and Deposits#	**5,944**	**8,849**

Excluding effect of exchange rate change

Net Cash Generated from Operating Activities and after Variable Annual Payment

Net cash generated from operating activities after variable annual payments for Hong Kong railway and related operations was HK$3,515 million for the six months ended 30 June 2022 compared to net cash generated of HK$3,977 million for the same period in 2021. This was mainly due to decrease in operating profit as discussed above.

Net Receipts from Property Development

Net receipts from property development were HK$11,152 million, comprising mainly cash receipts from THE SOUTHSIDE and LOHAS Park packages.

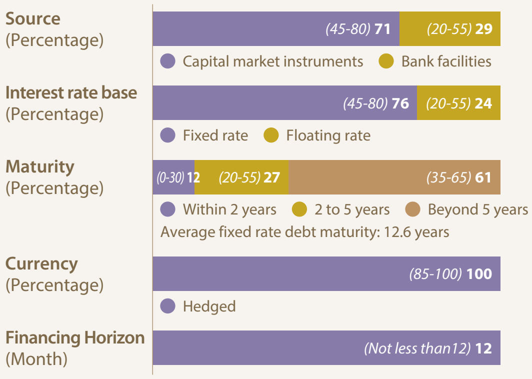
Other Net Cash Outflow from Investing Activities

Other net cash outflow from investing activities was HK$4,270 million, which mainly included capital expenditure of HK$4,053 million, comprising HK$2,928 million for investments in additional assets for existing Hong Kong railways and related operations, HK$641 million for Hong Kong railway extension projects, HK$288 million for Hong Kong investment properties and HK$196 million for Mainland China and overseas subsidiaries.

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 2022



Financing Activities

The inflation rate in the US, as measured by the Consumer Price Index, registered a four-decade high of 9.1% in June 2022. The US Federal Reserve also hastened the pace of interest rate hikes, bringing the Federal Funds Target Rate ("FFTR") to a range of 1.5% – 1.75% p.a. as at the end of June 2022. The Fed is expected to focus on combating inflation with more interest rate hikes in the second half. Market participants, however, were expecting that the FFTR would peak some time in 2023.

Interest rates for both the USD and HKD surged during the first half of 2022. The 3-month USD Libor increased to 2.29% p.a. from 0.21% p.a. at the beginning of the year. Likewise, the 3-month HKD Hibor increased to 1.75% p.a. from 0.26% p.a. The 10-year US Treasury yield also rose sharply to 3.01% p.a. from 1.51% p.a., and the 10-year HKD swap rate rose to 3.26% p.a. from 1.54% p.a.

In the first half of 2022, the Company arranged a CNH 750 million MTN note issuance on a private placement basis.

The Group's consolidated gross debt position at the end of June 2022 was HK$39,288 million, with a cash and deposit balance of more than HK$26 billion and undrawn committed facilities of more than HK$12 billion.

The weighted average cost of the Group's interest-bearing borrowings over the first six months was 2.2% p.a., unchanged from the same period in 2021. As at the end of June 2022, around 76% of the Group's borrowings were fixed-rate borrowings with an average interest rate of 2.6% p.a. and maturity of 12.6 years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In the second half of 2020, we unveiled a new Corporate Strategy to guide our future business endeavours and drive sustainable growth in accordance with robust ESG practices. Since then, we have worked to fine-tune our ESG efforts in three key areas: Greenhouse Gas ("GHG") Emissions Reduction, Social Inclusion, and Advancement and Opportunities. In February 2022, the MTR Board approved a set of 35 key performance indicators to gauge our performance across these areas. More than 10 key performance indicators are related to reducing GHG emissions; for example, the Company has committed to the establishment of science-based carbon reduction targets for the year 2030 for our railway and property businesses in Hong Kong with the aim of achieving carbon neutrality by 2050.

During the reporting period, we also remained very active in Social Inclusion as well as Advancement and Opportunities, organising activities that promote universal basic mobility, diversity and inclusion, and equal opportunities for our communities, employees and business partners. Highlights included a series of engagement events for non-profit organisations and community partners in the run-up to the opening of the East Rail Line Cross-Harbour Extension; sponsorship of the International Women's Day Virtual Lunch 2022 organised by The Women's Foundation; and contributions to charitable causes to help combat the effects of the fifth wave of COVID-19. Over the first six months of the year, we also continued to promote appreciation of the arts as well as our outreach efforts to youth and the elderly. To foster innovation, more than HK$300 million has been allocated for investing in start-ups in the next few years. On 21 June 2022, a Memorandum of Understanding was signed with Hong Kong Cyberport Management Company Limited to set up a two-year collaboration framework for joint investment in digital technology start-ups.

MTR places the highest priority on achieving world-class standards of corporate governance for the benefit of its shareholders and stakeholders. To support this goal, the Company continually seeks ways to improve the effectiveness, efficiency and transparency of its operations. In February 2022, for example, we implemented a new committee structure that will help optimise the Board's decision-making processes and promote the achievement of the governance goals set out in the Company's Corporate Strategy.

Safety

MTR is one of the world's leading providers of mass transit services. To ensure the well-being of passengers and staff, we regularly review our health and safety practices, invest significant resources into training our employees on safety fundamentals and work to promote awareness of railway safety among members of the public.

MTR continued to support Hong Kong's anti-pandemic efforts over the first half of the year, particularly as the city battled the fifth wave of COVID-19 infections. We worked to ensure train and station hygiene throughout our network. Among many other initiatives, we executed enhanced response measures including the early deployment of rapid antigen tests and the launch of a dedicated medical hotline with virtual consultations for infected staff.

Over the first six months of the year, the number of reportable events on our heavy rail and light rail networks decreased by 9% and 33%, respectively, compared to the same period in 2021.

Enterprise Risk Management

As a major operator of mass transit and developer and manager of properties, MTR must maintain strong enterprise risk management practices to protect the health and safety of the public and staff and ensure business continuity. In addition to preparedness and mitigation planning, we review the Company's risk profile, top risks and key emerging risks – including ESG-related risks – on an on-going basis.

During the reporting period, we continued to implement and fine-tune our "three lines of defence" framework to enhance governance and provide additional assurance on risk identification and mitigation. We also continue to monitor the COVID-19 situation closely to ensure we are taking timely and appropriate action to help contain the spread of the virus.

HUMAN RESOURCES

As at 30 June 2022, MTR and its subsidiaries employed 16,848 people in Hong Kong and 15,229 people outside of Hong Kong. Our associates and joint ventures employed an additional 19,961 people worldwide. The voluntary staff turnover rate in Hong Kong was 6.6% during the first half of the year.

During the pandemic, we have made protecting jobs our top priority while continuing to adopt prudent resourcing approach that meets our operational needs and achieves cost-effectiveness. As always, MTR remains committed to motivating and developing staff as well as ensuring their well-being. We provide competitive pay and benefits, short- and long-term incentive schemes, a broad range of career development opportunities, and performance-based recognitions and rewards. The Company also endeavours to provide equal opportunities and foster a progressive, family-friendly work environment.

We strive to provide on-going learning and development opportunities for staff that are in line with our business growth and succession planning needs. Over the first six months of the year, we provided an average of 2.4 training days per staff in Hong Kong.

Employee engagement is another key focus area. In December 2021, we conducted an Employee Engagement Survey to collect valuable feedback from our staff and achieved an encouraging response rate of 79%. Results, analyses and insights were communicated to management and staff in February and March 2022, and follow-up actions to address staff concerns are being implemented at the Corporate and Business Unit/Function levels from July 2022 onwards to make MTR an even better place to work.

MTR ACADEMY

The MTR Academy was established to develop railway talent to support the future growth of the industry as well as promote our expertise and brand to markets outside Hong Kong. Since its launch, more than 250 professionals have graduated from the Academy and advanced to further studies or job placements. The Academy currently offers three part-time accredited programmes, two of which are also available full-time.

To further its efforts in research and thought leadership, the MTR Academy has collaborated with the Company and the Hong Kong University of Science and Technology to establish a joint research lab focusing on smart community and smart mobility. The Academy has also entered into a Memorandum of Understanding with the Company and The Hong Kong Polytechnic University to explore railway technology applications and solutions for intelligent maintenance.

OUTLOOK

The opening of the East Rail Line Cross-Harbour Extension concludes a major phase of rail network development in Hong Kong. This achievement also sets the stage for the next phase of planned new infrastructure projects – including those under RDS 2014 as well as Government's comprehensive Northern Metropolis Development Strategy – to connect communities across Hong Kong and link the city more closely with its GBA counterparts. We remain committed to providing safe, reliable, accessible and environmentally friendly transportation services for the public, and we will continue to contribute our services and expertise to Hong Kong's future growth.

While the fifth wave of COVID-19 infections affected domestic patronage and revenue over the first half of the year, the opening of the extension has helped attract more local passengers, many of whom are enjoying shorter travelling times than before. However, on-going boundary closures and anti-pandemic arrangements continue to impact our fare revenue, and it is difficult to predict when such measures will be eased. Meanwhile, volatile global economic conditions are casting uncertainty over what kind of operating environment we can expect in the second half of the year. Inflation is becoming a concern globally, although its impact on our business performance is partially mitigated by the consumer price and wage index components of the FAM formula. To protect our business and the interests of our shareholders, we will continue exercising prudent cost control while seeking ways to streamline and optimise our operations for maximal efficiency.

Station commercial and property rental revenues have been affected by negative rental reversions and rental concessions since the early days of the pandemic, a situation that is unlikely to change over the coming six months. A rebound in advertising revenue will be dependent on economic recovery and improvements in consumer sentiment and spending. Meanwhile, our Duty Free business will only begin to recover once boundaries with Mainland China are reopened.

On property development, subject to market conditions, in the coming 12 months or so, we anticipate tendering out the Tung Chung East Station Package 1 site and Oyster Bay Property Development Package 1 (i.e., Phase 1 Package 1) (both subject to entering into a project agreement with Government and/or signing the land grant). Meanwhile, applications for pre-sale consent for THE SOUTHSIDE Package 4, Ho Man Tin Station Package 2 and LOHAS Park Package 12 are in progress. Subject to construction progress, we may make an initial booking in respect of the Tai Wai project predominantly on the gain from fair value measurement of our sharing-in-kind shopping mall (i.e., The Wai) in the second half of 2022, after accounting for the entire contribution by the Company to this project.

Working under Government's RDS 2014 development framework and Northern Metropolis Development Strategy, we will continue to progress various projects under the framework for expanding Hong Kong's railway network. On the back of our strong track record in designing, constructing and operating world-class railway networks, we will continue to work hard to expand our global portfolio. We also remain fully committed to our ESG goals, which will help us ensure healthy, sustainable growth for the benefit of MTR and its shareholders and stakeholders around the world.

I would like to take this opportunity to thank Mr Roger Bayliss, who retired from his position as Capital Works Director effective 31 July 2022, for his contributions to the Company and its success. I would also like to welcome Mr Carl Devlin, who was appointed Capital Works Director effective 1 August 2022. To all my other colleagues at MTR, I look forward to working with you over the second half of the year as we continue building an innovative, inclusive and environmentally conscious company to serve customers and communities both now and in the future, to keep cities moving, and to keep Hong Kong moving.

Dr Jacob Kam Chak-pui
Chief Executive Officer
Hong Kong, 11 August 2022

KEY FIGURES

	Six months ended 30 June				Favourable/ (Unfavourable) Change %
	2022		2021		
	HK$ million	**%**	HK$ million	%	
Total revenue					
Recurrent business revenue					
– Hong Kong transport services					
– Hong Kong transport operations	**5,815**	**25.2**	6,004	26.9	(3.1)
– Hong Kong station commercial businesses	**1,481**	**6.5**	1,496	6.7	(1.0)
– Total Hong Kong transport services	**7,296**	**31.7**	7,500	33.6	(2.7)
– Hong Kong property rental and management businesses	**2,307**	**10.0**	2,511	11.3	(8.1)
– Mainland China and international railway, property rental and management subsidiaries	**13,150**	**57.1**	12,050	54.0	9.1
– Other businesses	**142**	**0.6**	224	1.0	(36.6)
	22,895	**99.4**	22,285	99.9	2.7
Property development business revenue					
– Mainland China property development	**138**	**0.6**	32	0.1	331.3
Total revenue	**23,033**	**100.0**	22,317	100.0	3.2
Total EBITDA(1)					
Recurrent business EBITDA					
– Hong Kong transport services					
– Hong Kong transport operations	**(116)**	**(0.9)**	251	3.3	n/m
– Hong Kong station commercial businesses	**1,237**	**9.5**	1,276	16.8	(3.1)
– Total Hong Kong transport services	**1,121**	**8.6**	1,527	20.1	(26.6)
– Hong Kong property rental and management businesses	**1,873**	**14.5**	2,078	27.4	(9.9)
– Mainland China and international railway, property rental and management subsidiaries	**923**	**7.1**	579	7.6	59.4
– Other businesses, project studies and business development expenses	**(284)**	**(2.2)**	(260)	(3.4)	(9.2)
	3,633	**28.0**	3,924	51.7	(7.4)
Property development business EBITDA					
– Hong Kong property development	**9,277**	**71.6**	3,654	48.2	153.9
– Mainland China property development	**49**	**0.4**	7	0.1	600.0
	9,326	**72.0**	3,661	48.3	154.7
Total EBITDA	**12,959**	**100.0**	7,585	100.0	70.9
Total EBIT(2)					
Recurrent business EBIT					
EBIT					
– Hong Kong transport services					
– Hong Kong transport operations	**(2,775)**	**(29.2)**	(2,285)	(43.4)	(21.4)
– Hong Kong station commercial businesses	**1,098**	**11.5**	1,145	21.7	(4.1)
– Total Hong Kong transport services	**(1,677)**	**(17.7)**	(1,140)	(21.7)	(47.1)
– Hong Kong property rental and management businesses	**1,865**	**19.6**	2,067	39.2	(9.8)
– Mainland China and international railway, property rental and management subsidiaries(3)	**791**	**8.3**	445	8.5	77.8
– Other businesses, project studies and business development expenses	**(317)**	**(3.3)**	(294)	(5.6)	(7.8)
– Impairment loss on Shenzhen Metro Line 4	**(962)**	**(10.1)**	–	–	n/m
Share of profit of associates and joint ventures	**490**	**5.2**	530	10.1	(7.5)
	190	**2.0**	1,608	30.5	(88.2)
Property development business EBIT					
– Hong Kong property development	**9,277**	**97.5**	3,654	69.4	153.9
– Mainland China property development	**49**	**0.5**	7	0.1	600.0
	9,326	**98.0**	3,661	69.5	154.7
Total EBIT	**9,516**	**100.0**	5,269	100.0	80.6
Loss from fair value measurement of investment properties	**(2,389)**		(1,307)		(82.8)
Interest and finance charges	**(458)**		(445)		(2.9)
Profit before taxation	**6,669**		3,517		89.6
Income tax	**(1,741)**		(735)		(136.9)
Profit for the period	**4,928**		2,782		77.1
Non-controlling interests	**(196)**		(109)		(79.8)
Profit for the period attributable to shareholders of the Company	**4,732**		2,673		77.0
Profit/(loss) for the period attributable to shareholders of the Company arising from:					
Recurrent businesses	**(678)**		912		n/m
Property development businesses	**7,786**		3,081		152.7
Underlying businesses	**7,108**		3,993		78.0
Fair value measurement of investment properties	**(2,376)**		(1,320)		(80.0)
Total profit for the period attributable to shareholders of the Company	**4,732**		2,673		77.0

Notes:

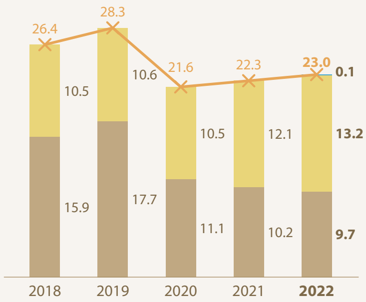
1 *EBITDA represents operating profit/(loss) before fair value measurement of investment properties, depreciation, amortisation, impairment loss, variable annual payment, share of profit of associates and joint ventures, interest, finance charges and taxation.*

2 *EBIT represents profit/(loss) before fair value measurement of investment properties, interest, finance charges and taxation and after variable annual payment.*

3 *Excluding the impairment loss of HK$962 million in respect of Shenzhen Metro Line 4 in the Mainland China.*

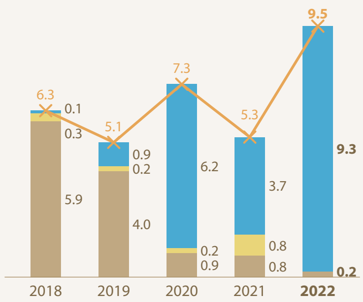
n/m: not meaningful

Total Revenue
(HK$ billion)



- Mainland China Property Development
- Recurrent Businesses – Mainland China and International
- Recurrent Businesses – Hong Kong
- Total Revenue

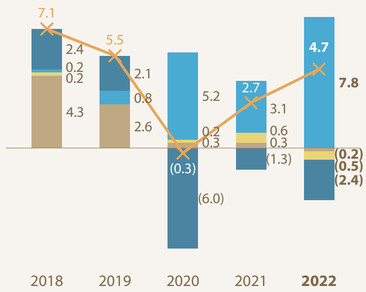
Total EBIT
(HK$ billion)



- Property Development Businesses
- Recurrent Businesses – Mainland China and International*
- Recurrent Businesses – Hong Kong
- Total EBIT

* *Including share of profit from associates and joint ventures, and business development expenses from Mainland China and international businesses*

Net Profit/(Loss) Attributable to Shareholders of the Company
(HK$ billion)



- Gain/(Loss) from Fair Value Measurement of Investment Properties
- Property Development Profit
- Recurrent Business Profit/(Loss) – Mainland China and International
- Recurrent Business Profit/(Loss) – Hong Kong
- Net Profit/(Loss) Attributable to Shareholders of the Company

	Six months ended 30 June		Favourable/ (Unfavourable) Change %
	2022	2021	
Financial ratios			
EBITDA margin[4] *(in %)*	**16.0**	17.6	(1.6)% pts.
EBITDA margin[4] (excluding Mainland China and international subsidiaries[δ]) *(in %)*	**27.8**	32.7	(4.9)% pts.
EBIT margin[5] *(in %)*	**(1.1)^**	4.9	n/m
EBIT margin[5] (excluding Mainland China and international subsidiaries[φ]) *(in %)*	**(1.3)**	6.2	n/m
Net debt-to-equity ratio[6] *(in %)*	**12.7#**	18.1*	5.4% pts.
Interest cover[7] *(times)*	**19.8**	12.0	7.8 times
Share information			
Basic earnings per share *(in HK$)*	**0.76**	0.43	76.7
Basic earnings per share arising from underlying businesses *(in HK$)*	**1.15**	0.65	76.9
Ordinary dividend per share *(in HK$)*	**0.42~**	0.25	68.0
Share price *(in HK$)*	**41.00#**	41.85*	(2.0)
Market capitalisation *(HK$ million)*	**253,932#**	259,196*	(2.0)
Hong Kong Transport Operations			
Total passenger boardings *(million)*			
Domestic Service	**570.5**	646.1	(11.7)
Cross-boundary Service	**0.2**	0.2	(13.0)
High Speed Rail	**–**	–	n/m
Airport Express	**1.0**	1.0	(0.6)
Light Rail and Bus	**77.7**	88.6	(12.3)
Average number of passengers *(thousand)*			
Domestic Service *(weekday)*	**3,392.5**	3,849.5	(11.9)
Cross-boundary Service *(daily)*	**1.2**	1.3	(13.0)
High Speed Rail *(daily)*	**–**	–	n/m
Airport Express *(daily)*	**5.3**	5.4	(0.6)
Light Rail and Bus *(weekday)*	**448.7**	510.4	(12.1)
Average fare *(in HK$)*			
Domestic Service	**8.08**	7.61	6.1
Cross-boundary Service	**9.64**	10.15	(5.0)
High Speed Rail	**–**	–	n/m
Airport Express	**34.68**	53.08	(34.7)
Light Rail and Bus	**3.19**	3.02	5.6
Proportion of franchised public transport boardings (January to May) *(in %)*	**47.2**	46.2	1.0% pt.

Notes:

4 *EBITDA margin represents total EBITDA (excluding Hong Kong property development profit from share of surplus and interest in unsold properties) as a percentage of total revenue.*

5 *EBIT margin represents total EBIT (excluding Hong Kong property development profit from share of surplus and interest in unsold properties, and share of profit of associates and joint ventures) as a percentage of total revenue.*

6 *Net debt-to-equity ratio represents bank overdrafts, 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.*

7 *Interest cover represents operating profit before fair value measurement of investment properties, depreciation, amortisation, impairment loss, 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 China and international subsidiaries of HK$13,288 million and HK$12,316 million (2021: HK$12,082 million and HK$11,496 million) respectively.*

φ *Excluding the relevant revenue, expenses, depreciation and amortisation, and impairment loss of Mainland China and international subsidiaries of HK$13,288 million, HK$12,316 million, HK$132 million, and HK$962 million (2021: HK$12,082 million, HK$11,496 million, HK$134 million, and HK$nil) respectively.*

^ *Excluding the impairment loss of HK$962 million made in respect of Shenzhen Metro Line 4, the EBIT margin would have been 3.1%.*

\# *Figures as at 30 June 2022*

* *Figures as at 31 December 2021*

~ *As mentioned in the 2021 Annual Report, and subject to the financial performance and future funding needs of the Company, the Company expects to pay two dividends each financial year with interim and final dividends payable around October and July, respectively, and the interim dividend represents around one-third of the total dividends to be paid for the entire year.*

Certain comparative figures have been reclassified to conform to current period's presentation.

CORPORATE GOVERNANCE AND OTHER INFORMATION

MEMBERS OF THE BOARD AND THE EXECUTIVE DIRECTORATE

List of Members of the Board and the Executive Directorate and their Roles and Functions (as at 11 August 2022)

		Board Committees/Advisory Panel						
	Executive Committee	Audit & Risk Committee	Nominations Committee	Remuneration Committee	Capital Works Committee	Environmental & Social Responsibility Committee	Finance & Investment Committee	Technology Advisory Panel
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 Logistics (Lam Sai-hung)			M	M				
Permanent Secretary for Development (Works) (Ricky Lau Chun-kit)			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	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			
Hui Siu-wai		M			M			
Sunny Lee Wai-kwong			M					M
Dr Rose Lee Wai-mun				M			M	
Jimmy Ng Wing-ka			M			M		
Carlson Tong		C					M	
Adrian Wong Koon-man		M		M				
Johannes Zhou Yuan		M						C
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							
Margaret Cheng Wai-ching (Human Resources Director)	M					M		
Linda Choy Siu-min (Corporate Affairs and Branding Director)	M							
Carl Michael Devlin (Capital Works 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/advisory panel
M: Member of the committee/advisory panel

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.

During the six months ended 30 June 2022, the Company implemented the recommendations from an external consultant previously appointed by the Company to carry out a Board evaluation exercise. This had led to a restructuring of the Company's Board Committees and revamping of their terms of reference with a view to enhancing Board effectiveness and ensuring that the Board was fit for purpose for supporting the implementation of the Corporate Strategy. The restructuring and associated changes including the establishment of the Finance & Investment Committee and the Technology Advisory Panel, renaming and revision of the terms of reference of the then Audit Committee to become the Audit & Risk Committee, disbandment of the then Risk Committee, and renaming and revision of the terms of reference of the then Corporate Responsibility Committee to become the Environmental & Social Responsibility Committee, all have taken effect from 1 February 2022.

Recognizing the importance of maintaining gender diversity on the Board, the Company has made a pledge to maintain not less than 20% of female members on the Board with immediate effect and commits to a target of achieving 25% of female members on the Board by 2025, such targets are set out in the Company's Board Diversity Policy, which is available on the Company's website (www.mtr.com.hk).

CORPORATE GOVERNANCE CODE COMPLIANCE

During the six months ended 30 June 2022, the Company has complied with the Code Provisions set out in Appendix 14 (Corporate Governance Code) 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. The latest version was released in February 2022 in the form of a digital flipbook to facilitate staff understanding and access. In addition, a new staff awareness programme was launched in early June 2022. The main theme of the first session was the Personal Data (Privacy) Ordinance. Animation videos and interactive games with real life examples as well as a webinar were provided to help staff members better understand the principles of the Ordinance and if certain acts are unlawful or unacceptable. Other education programmes, such as mandatory online training programmes, have also been introduced to raise staff awareness.

To ensure our staff members live up to the highest ethical standards, a policy related to prevention of bribery and illegal acceptance/offer of advantages has been put in place. Staff members are also 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 established, which enable 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, Mainland 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 2022.

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 2022 TO 11 AUGUST 2022

Changes in Composition of the Board and Board Committees/Advisory Panel

1. On 11 January 2022, the Board approved (a) the establishment of the Finance & Investment Committee ("F&IC") and the Technology Advisory Panel ("TAP"); (b) changes to the Company's existing Board Committees (namely, renaming and revision of the terms of reference of the then Audit Committee to become the Audit & Risk Committee ("A&RC"), disbandment of the then Risk Committee ("the then RiskC") and renaming and revision of the terms of reference of the then Corporate Responsibility Committee ("the then CRC") to become the Environmental & Social Responsibility Committee; and (c) appointment of members/changes to the composition of the following Board Committees and Advisory Panel, all with effect from 1 February 2022:

    (i) Mr Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury) was appointed as a member of the F&IC and ceased to be a member of the Nominations Committee ("NC");

    (ii) Permanent Secretary for Development (Works) (Mr Ricky Lau Chun-kit) was appointed as a member of the NC and ceased to be a member of the then RiskC;

    (iii) Commissioner for Transport (Miss Rosanna Law Shuk-pui) was appointed as a member of the TAP and ceased to be a member of the then RiskC;

    (iv) Mr Andrew Clifford Winawer Brandler was appointed as the chairman of the F&IC and ceased to be the chairman of the then RiskC;

    (v) Dr Bunny Chan Chung-bun was appointed as a member of the F&IC;

    (vi) Mr Walter Chan Kar-lok was appointed as a member of the Capital Works Committee ("CWC") and ceased to be a member of the then CRC;

    (vii) Dr Anthony Chow Wing-kin was appointed as a member of the NC and ceased to be a member of the CWC;

    (viii) Dr Eddy Fong Ching was appointed as a member of the F&IC and ceased to be a member of the NC;

    (ix) Mr Hui Siu-wai was appointed as a member of the A&RC and ceased to be a member of the then RiskC;

    (x) Dr Rose Lee Wai-mun was appointed as a member of the F&IC and ceased to be a member of the then RiskC;

    (xi) Mr Jimmy Ng Wing-ka was appointed as a member of the NC and ceased to be a member of the CWC;

    (xii) Mr Benjamin Tang Kwok-bun was appointed as a member of the TAP and ceased to be a member of the then RiskC;

    (xiii) Mr Adrian Wong Koon-man was appointed as a member of the F&IC and ceased to be a member of the NC; and

    (xiv) Mr Johannes Zhou Yuan was appointed as the chairman of the TAP and ceased to be a member of the then RiskC.

2. Dr Anthony Chow Wing-kin retired as an INED, and a member of each of the NC and the Remuneration Committee ("RC"), all with effect from the conclusion of the Company's Annual General Meeting held on 25 May 2022 (the "2022 AGM").

3. Dr Eddy Fong Ching retired as an INED, the chairman of the A&RC, and a member of the F&IC, all with effect from the conclusion of the 2022 AGM.

4. Mr Benjamin Tang Kwok-bun retired as an INED, and a member of each of the RC and the TAP, all with effect from the conclusion of the 2022 AGM.

5. Mr Sunny Lee Wai-kwong was elected as a Member of the Board and became an INED with effect from the conclusion of the 2022 AGM, and was appointed by the Board as a member of each of the NC and the TAP with effect from the same date.

6. Mr Carlson Tong was elected as a Member of the Board and became an INED with effect from the conclusion of the 2022 AGM, and was appointed by the Board as the chairman of the A&RC and a member of the F&IC with effect from the same date.

7. Dr Rose Lee Wai-mun was appointed by the Board as a member of the RC and ceased to be a member of the A&RC, both with effect from 25 May 2022.

8. Mr Adrian Wong Koon-man was appointed by the Board as a member of the RC and ceased to be a member of the F&IC, both with effect from 25 May 2022.

9. The office of the Secretary for Transport and Housing ("S for T&H") (held by Mr Frank Chan Fan until 30 June 2022) ceased to be a NED and a member of each of the NC and the RC, all with effect from 1 July 2022.

10. The office of the Secretary for Transport and Logistics ("S for T&L") became a NED and was appointed by the Board as a member of each of the NC and the RC, all with effect from 1 July 2022. Mr Lam Sai-hung, who holds the post of the S for T&L, by virtue of holding such post, became a NED and a member of each of the NC and the RC, all with effect from the same date.

Changes of Alternate Directors

1. Mr Vincent Mak Shing-cheung, the Deputy Secretary for Development (Works)2, ceased to be an Alternate Director to the office of the Permanent Secretary for Development (Works) ("PS for D(W)") (Mr Ricky Lau Chun-kit), a NED, with effect from 3 March 2022.

2. Mr Francis Chau Siu-hei, the Deputy Secretary for Development (Works)3, has been appointed as an Alternate Director to the office of the PS for D(W) (Mr Ricky Lau Chun-kit), a NED, with effect from 3 March 2022.

3. Each of the offices of the Under Secretary for Transport and Housing (held by Dr Raymond So Wai-man until 30 June 2022), the Permanent Secretary for Transport and Housing (Transport) (held by Ms Mable Chan until 30 June 2022), the Deputy Secretary for Transport and Housing (Transport)1 (held by Ms Sharon Lee Hang-yee (also known as Mrs Sharon Yip Lee Hang-yee) until 30 June 2022) and the Deputy Secretary for Transport and Housing (Transport)2 (held by Ms Amy Wong Pui-man until 30 June 2022) ceased to be an Alternate Director to the office of the S for T&H (held by Mr Frank Chan Fan until 30 June 2022), a NED, with effect from 1 July 2022.

4. Each of the following offices has been appointed as, and each of their respective post holders has, by virtue of holding such post, become an Alternate Director to the office of the S for T&L (Mr Lam Sai-hung), a NED, with effect from 1 July 2022:

   (i) the office of the Permanent Secretary for Transport and Logistics (Ms Mable Chan);

   (ii) the office of the Deputy Secretary for Transport and Logistics 1 (Ms Sharon Lee Hang-yee (also known as Mrs Sharon Yip Lee Hang-yee)); and

   (iii) the office of the Deputy Secretary for Transport and Logistics 2 (Ms Amy Wong Pui-man).

5. The office of the Under Secretary for Transport and Logistics ("US for T&L") has been appointed as an Alternate Director to the office of the S for T&L (Mr Lam Sai-hung) with effect from 2 August 2022. Mr Liu Chun-san has, by virtue of holding the post of the US for T&L, become an Alternate Director to the office of the S for T&L (Mr Lam Sai-hung) with effect from the same date.

Changes in Composition of the Executive Directorate

1. Mr Roger Francis Bayliss retired from the Company upon the completion of his service agreement with the Company immediately after 31 July 2022, and ceased to be the Capital Works Director and a Member of the Executive Directorate of the Company at the same time.

2. Mr Carl Michael Devlin has been appointed as the Capital Works Director and a Member of the Executive Directorate of the Company, both with effect from 1 August 2022.

Changes in Information of Directors

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

(i) Changes in Biographical Details

Name	Change(s)	Nature and Effective Date of Change(s)
Dr Rex Auyeung Pak-kuen	Independent Police Complaints Council (Hong Kong) • Observer of Observers Scheme	Cessation (1 April 2022)
	Gold Bauhinia Star medal awarded by the Chief Executive of the Hong Kong Special Administrative Region (the "HKSAR")	Award (2022)
Dr Jacob Kam Chak-pui	Employers' Federation of Hong Kong • Member of the General Committee	Appointment (May 2022)
Dr Dorothy Chan Yuen Tak-fai	West Kowloon Cultural District Authority (Hong Kong) • Member of the Commercial Letting Panel under the Board	Appointment (1 April 2022)
Walter Chan Kar-lok	Pensions Appeal Panel under the Civil Service Bureau (Hong Kong) • Convenor-cum-Member	Cessation (8 April 2022)
Dr Anthony Chow Wing-kin (Retired on 25 May 2022)	The Council of The Hong Kong Academy for Performing Arts • Deputy Chairman	Cessation (1 January 2022)
Christopher Hui Ching-yu	Gold Bauhinia Star medal awarded by the Chief Executive of the HKSAR	Award (2022)
Sunny Lee Wai-kwong	Bronze Bauhinia Star medal awarded by the Chief Executive of the HKSAR	Award (2022)
Jimmy Ng Wing-ka	The University of Hong Kong • Council Member	Appointment (8 April 2022)
	The Hong Kong Mortgage Corporation Limited • Non-executive Director	Appointment (27 June 2022)
Adi Lau Tin-shing	Hong Kong Trade Development Council • Member of the Infrastructure Development Advisory Committee	Appointment (1 April 2022)
Margaret Cheng Wai-ching	The Standing Committee on Disciplined Services Salaries and Conditions of Service (Hong Kong) • Member • Chairman of the Police Sub-Committee	Cessation (1 January 2022) Cessation (1 January 2022)
	Hong Kong Institute of Human Resource Management • President • Immediate Past President	Cessation (22 June 2022) Appointment (22 June 2022)
Linda Choy Siu-min	Lantau Development Advisory Committee (Hong Kong) • Non-official Member	Appointment (1 February 2022)
Herbert Hui Leung-wah	The Standing Committee on Disciplined Services Salaries and Conditions of Service (Hong Kong) • Member	Appointment (1 January 2022)
Dr Tony Lee Kar-yun	City University of Hong Kong • Honorary Advisory Board Member of the Theme-based Research Scheme Project on "Safety, Reliability, and Disruption Management of High Speed Rail and Metro Systems"	Cessation (1 January 2022)
	National Rail Transit Electrification and Automation Engineering Technology Research Center (Hong Kong Branch) • Member of the Technical Committee	Appointment (January 2022)
Gillian Elizabeth Meller	The Chartered Governance Institute • China/Hong Kong Division representative on the Council	Appointment (1 January 2022)
	The Hong Kong Chartered Governance Institute • President	Cessation (1 January 2022)
	The Stock Exchange of Hong Kong Limited • Member of the Listing Committee	Appointment (8 July 2022)
David Tang Chi-fai	West Kowloon Cultural District Authority (Hong Kong) • Co-opted Member of the Public Private Partnership Projects Committee under the Board	Cessation (1 January 2022)
Jeny Yeung Mei-chun	Advisory Committee on Enhancing Self-Reliance Through District Partnership Programme (Hong Kong) • Member	Cessation (1 July 2022)

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

(ii) Changes in Directors' Remuneration

1. In light of the changes set out in the section headed "Changes in Composition of the Board and Board Committees/ Advisory Panel" on pages 36 to 37 of this report, the annual fees payable to the following Directors by the Company have been adjusted as shown below and the actual amounts receivable by each of them for the year ending 31 December 2022 will be calculated on a pro rata basis:

	Directors' fees		
Name	Before Change (HK$ per annum)	After Change (HK$ per annum)	Effective Date of Change
Dr Bunny Chan Chung-bun	360,000	420,000	1 February 2022
Walter Chan Kar-lok	420,000	450,000	1 February 2022
Dr Anthony Chow Wing-kin (Retired on 25 May 2022)	450,000	420,000	1 February 2022
Hui Siu-wai	450,000	480,000	1 February 2022
Jimmy Ng Wing-ka	450,000	420,000	1 February 2022
Johannes Zhou Yuan	450,000	500,000	1 February 2022
Dr Rose Lee Wai-mun	450,000	420,000	25 May 2022

2. The Company renewed its service contract with Dr Jacob Kam Chak-pui in November 2021 for his position as Chief Executive Officer for a term of 3 years commencing on 1 April 2022. The amount of Dr Kam's emoluments is HK$8,486,880 per annum (which excludes discretionary variable remuneration) as determined by the RC. He was also awarded an entitlement of 132,000 restricted shares which will vest in Dr Kam on 31 March 2025, according to the terms and conditions set out in his service contract.

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 Sunny Lee Wai-kwong, Mr Carlson Tong and Mr Lam Sai-hung, the recently appointed Members of the Board; Mr Francis Chau Siu-hei, Ms Mable Chan, Mrs Sharon Yip Lee Hang-yee, Ms Amy Wong Pui-man and Mr Liu Chun-san, the new Alternate Directors; and Mr Carl Michael Devlin, the new Member of the Executive Directorate.

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 the 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 2022.

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;

- Environmental, Social and Governance:
  - Annual review of the structure, size and composition of the Board and its corporate governance functions for 2021; annual assessment of (i) the independence of the INEDs, and (ii) the effectiveness of the Company's risk management and internal control systems for 2021;
  - 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 2022 AGM;
  - Approval of (i) changes to the structure of the Board Committees and the establishment of a new Advisory Panel, including adoption of relevant terms of reference, and approval of memberships and associated fees; (ii) amendments to the Protocol; (iii) appointment of an advisor to the CWC; and (iv) annual update to the Directors' Manual;
  - Approval of amendments to the Nomination Policy and the Board Diversity Policy of the Company;
  - Approval of Sustainability Report 2021;
  - Receipt of Carbon Reduction Study and approval of the setting of science based carbon emission reduction targets; and
  - Receipt and consideration of reports from Management on key matters such as corporate safety governance and enterprise risk management;
- Hong Kong Transport Services:
  - Receipt of report on the 2021 Hong Kong Transport Services Performance;
  - Approval of fares for the East Rail Line Cross Harbour Extension;
  - Approval of the Company's fare adjustment principles in 2022 under the Fare Adjustment Mechanism; and
  - Receipt of status updates on a major resignalling project;
- Capital Works:
  - Approval of budget for advance works, and receipt of updates on the Project Agreement for the Tung Chung Line Extension; and
  - Approval of the technical and financial submission proposals for a proposed railway project;
- Property:
  - Approval of contract award for the fit out works of a property development in Hong Kong;
  - Approval of tender arrangements for a property development in Hong Kong; and
  - Receipt of progress update on the Oyster Bay Property Development Project;
- Mainland China and International Business:
  - Receipt of annual business updates on the Mainland China and Macao businesses; and
  - Receipt of update on the opening of the Central Section of the Elizabeth Line in the United Kingdom;
- New Growth Engine:
  - Approval of investment cap for New Growth Engine;
- Financial:
  - Review and approval of 2021 Annual Report and Accounts; and
  - Receipt of updates on the financial impact of the Coronavirus Disease 2019 ("COVID-19"); and
- Human Resources:
  - Receipt of report on Employee Engagement Survey and actions planned.

Special Meeting

One Special Meeting was held to approve the transactions and associated agreements relating to the full operation of the Shatin to Central Link.

COMMUNICATION WITH SHAREHOLDERS

Annual General Meeting

The Company's 2022 AGM was held on 25 May 2022. The Chairman continued his practice of proposing separate resolutions for each substantially separate matter.

A total of 13 resolutions were passed at the 2022 AGM (with resolution no. 3 comprising five separate resolutions), all of which were supported by over 97% of the votes cast, with a vast majority of the resolutions receiving over 99% support. The full text of the resolutions is set out in the 2022 AGM Circular (which comprised the Notice of the 2022 AGM) dated 14 April 2022.

All resolutions at the 2022 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 2022 AGM.

With the aim of helping the Company's shareholders save time and resources and reducing the Company's carbon footprint, the Company held its 2022 AGM in a hybrid format for the first time pursuant to which shareholders were given the option to attend the meeting physically or online. Also, in light of the continuing COVID-19 pandemic and the requirements of relevant laws and regulations, the Company continued to implement a number of precautionary measures for the 2022 AGM, including restricting the number of shareholders who could physically attend the 2022 AGM through pre-registration and requiring submission of questions in advance of the 2022 AGM. For the benefit of the Company's shareholders who were unable to attend the 2022 AGM, a webcast of the whole proceedings was also posted on the Company's website for viewing.

CONSTITUTIONAL DOCUMENT

To allow flexibility for the Company in reviewing the Directors' fees and to enable the Company to bring the Directors' fees more in line with the market so as to allow the Company to continue to attract Directors of a suitable calibre, the cap on Directors' fees as set out in Article 100 of the Articles of Association was increased from HK$10,000,000 to HK$11,000,000 with the approval of the Company's shareholders at the 2022 AGM. The updated 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 2022, the interests or short positions of the Members of the Board, Alternate Directors and Members of 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 award shares#		Percentage of aggregate interests to total no. of voting shares in issue∆
	Personal interests*	Family interests†	Personal interests*	Total interests	
Dr Jacob Kam Chak-pui	648,187	–	530,435	1,178,622	0.01903
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
Maurice Loo Kam-wah	588	–	–	588	0.00001
Dr Raymond So Wai-man	–	1,675 (Note)	–	1,675	0.00003
Adi Lau Tin-shing	227,988	–	117,018	345,006	0.00557
Roger Francis Bayliss	45,985	–	103,368	149,353	0.00241
Margaret Cheng Wai-ching	212,531	–	109,802	322,333	0.00520
Linda Choy Siu-min	4,500	–	89,050	93,550	0.00151
Herbert Hui Leung-wah	130,420	2,233 (Note)	105,784	238,437	0.00385
Dr Tony Lee Kar-yun	122,703	–	96,102	218,805	0.00353
Gillian Elizabeth Meller	199,191	–	100,950	300,141	0.00485
David Tang Chi-fai	293,545	–	115,767	409,312	0.00661
Jeny Yeung Mei-chun	760,879	–	116,201	877,080	0.01416

Note: As at 30 June 2022, these shares were held by the spouse of relevant Members of the Board, an Alternate Director and a Member of the Executive Directorate of the Company.

\# *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*

∆ *The Company's total number of voting shares in issue as at 30 June 2022 was 6,193,462,514*

Save as disclosed above and in the section headed "Executive Share Incentive Scheme":

A as at 30 June 2022, no Member of the Board or Alternate Director or Member of 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 2022, no Member of the Board or Alternate Director or Member of 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 2022 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 total no. of voting shares in issue$^{\Delta}$
The Financial Secretary Incorporated ("FSI") (in trust on behalf of Government)	4,634,173,932	74.82%

Δ *The Company's total number of voting shares in issue as at 30 June 2022 was 6,193,462,514*

The Company has been informed by the Hong Kong Monetary Authority that, as at 30 June 2022, approximately 0.16% 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 2022, 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.

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 (i.e. 5,826,534,347 issued ordinary shares of the Company) 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 145 to 146) and notes 11C and 42(ii) to the Consolidated Accounts of the Company's 2021 Annual Report (www.mtr.com.hk).

Movements in award shares under the Executive Share Incentive Scheme during the six months ended 30 June 2022 are set out below:

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 2022	Award shares vested during the period	Award shares lapsed and/or forfeited during the period	Award shares outstanding as at 30 June 2022
		Restricted shares (Note 2)	Performance shares (Note 3)				
Dr Jacob Kam Chak-pui	1/4/2019	120,000	–	120,000	120,000	–	–
	8/4/2019	47,400	91,750	15,800	15,800	–	–
	8/4/2020	89,300	–	59,534	29,766	–	29,768
	8/4/2021	52,750	199,800	252,550	17,583	–	234,967
	1/4/2022	132,000	–	–	–	–	132,000
	8/4/2022	133,700	–	–	–	–	133,700
Adi Lau Tin-shing	8/4/2019	16,250	–	5,418	5,418	–	–
	8/4/2020	39,100	–	26,067	13,033	–	13,034
	8/4/2021	19,700	47,850	67,550	6,566	–	60,984
	8/4/2022	43,000	–	–	–	–	43,000
Roger Francis Bayliss	8/4/2020	30,250	–	20,167	10,083	–	10,084
(Note 4)	8/4/2021	15,050	47,850	62,900	5,016	–	57,884
	8/4/2022	35,400	–	–	–	–	35,400
Margaret Cheng Wai-ching	8/4/2019	16,550	–	5,518	5,518	–	–
	8/4/2020	32,450	–	21,634	10,816	–	10,818
	8/4/2021	17,450	47,850	65,300	5,816	–	59,484
	8/4/2022	39,500	–	–	–	–	39,500
Linda Choy Siu-min	8/4/2021	13,500	47,850	61,350	4,500	–	56,850
	8/4/2022	32,200	–	–	–	–	32,200
Herbert Hui Leung-wah	8/4/2019	13,800	–	4,600	4,600	–	–
	8/4/2020	29,050	–	19,367	9,683	–	9,684
	8/4/2021	15,600	47,850	63,450	5,200	–	58,250
	8/4/2022	37,850	–	–	–	–	37,850
Dr Tony Lee Kar-yun	8/4/2019	8,300	–	2,768	2,768	–	–
	8/4/2020	15,500	–	10,334	5,166	–	5,168
	8/4/2021	13,550	47,850	61,400	4,516	–	56,884
	8/4/2022	34,050	–	–	–	–	34,050
Gillian Elizabeth Meller	8/4/2019	13,400	–	4,468	4,468	–	–
	8/4/2020	27,000	–	18,000	9,000	–	9,000
	8/4/2021	14,250	47,850	62,100	4,750	–	57,350
	8/4/2022	34,600	–	–	–	–	34,600
David Tang Chi-fai	8/4/2019	17,200	–	5,734	5,734	–	–
	8/4/2020	31,350	–	20,900	10,450	–	10,450
	8/4/2021	17,200	47,850	65,050	5,733	–	59,317
	8/4/2022	46,000	–	–	–	–	46,000

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 2022	Award shares vested during the period	Award shares lapsed and/or forfeited during the period	Award shares outstanding as at 30 June 2022
		Restricted shares (Note 2)	Performance shares (Note 3)				
Jeny Yeung Mei-chun	8/4/2019	16,350	–	5,450	5,450	–	–
	8/4/2020	32,650	–	21,767	10,883	–	10,884
	8/4/2021	17,200	47,850	65,050	5,733	–	59,317
	8/4/2022	46,000	–	–	–	–	46,000
Other eligible employees	8/4/2019	1,792,900	122,750	466,084	457,242	8,842	–
(Note 5)	8/4/2020	2,008,100	6,950	1,128,007	577,552	17,921	532,534
	8/4/2021	1,759,700	927,600	2,564,550	571,359	67,756	1,925,435
	8/4/2022	2,024,950	240,700	–	8,250	1,600	2,255,800

Notes:

1 *The award shares 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 RC).*

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

4 *Mr Roger Francis Bayliss retired as Capital Works Director and ceased to be a member of the Executive Directorate of the Company, both with effect from 1 August 2022.*

5 *Other eligible employees also include former employees of the Company.*

6 *Mr Carl Michael Devlin has been appointed as Capital Works Director and become a member of the Executive Directorate of the Company, both with effect from 1 August 2022. As disclosed in the announcement of the Company dated 20 June 2022, Mr Devlin has an interest in 15,000 ordinary shares of the Company awarded to him under the Company's Executive Share Incentive Scheme.*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company redeemed its RMB 1.15 billion and RMB 200 million bonds at par on 18 March 2022 and 19 April 2022 respectively. The bonds were listed on the HKSE prior to redemption. Save as disclosed above, the Group did not purchase, sell or redeem any of the Group's listed securities during the six months ended 30 June 2022. 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 2,560,000 ordinary shares of the Company for a total consideration of approximately HK$109 million during the same period (2021: HK$116 million).

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

As at 30 June 2022, the Group had a note outstanding of HK$500 million (2021: note outstanding of HK$500 million) with a maturity in 2022, 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 2022 interim dividend, the Register of Members of the Company was closed from 26 August 2022 to 31 August 2022 (both dates inclusive), during which time no transfers of shares in the Company were effected. To qualify for the 2022 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 25 August 2022 (Hong Kong time). The 2022 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 14 October 2022 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 31 August 2022.

UNAUDITED INTERIM FINANCIAL REPORT
CONSOLIDATED PROFIT AND LOSS ACCOUNT

in HK$ million	Note	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Revenue from Hong Kong transport operations		**5,815**	6,004
Revenue from Hong Kong station commercial businesses		**1,481**	1,496
Revenue from Hong Kong property rental and management businesses		**2,307**	2,511
Revenue from Mainland China and international railway, property rental and management subsidiaries	2	**13,150**	12,050
Revenue from other businesses		**142**	224
		22,895	22,285
Revenue from Mainland China property development	2	**138**	32
Total revenue		**23,033**	22,317
Expenses relating to Hong Kong transport operations			
– Staff costs and related expenses		**(3,155)**	(2,988)
– Maintenance and related works		**(1,019)**	(1,046)
– Energy and utilities		**(877)**	(826)
– General and administration expenses		**(343)**	(346)
– Stores and spares consumed		**(253)**	(267)
– Railway support services		**(89)**	(113)
– Government rent and rates		**(77)**	(80)
– Other expenses		**(118)**	(87)
		(5,931)	(5,753)
Expenses relating to Hong Kong station commercial businesses		**(244)**	(220)
Expenses relating to Hong Kong property rental and management businesses		**(434)**	(433)
Expenses relating to Mainland China and international railway, property rental and management subsidiaries	2	**(12,227)**	(11,471)
Expenses relating to other businesses		**(253)**	(315)
Project study and business development expenses		**(173)**	(169)
		(19,262)	(18,361)
Expenses relating to Mainland China property development	2	**(89)**	(25)
Operating expenses before depreciation, amortisation and variable annual payment		**(19,351)**	(18,386)
Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment			
– Arising from recurrent businesses		**3,633**	3,924
– Arising from Mainland China property development		**49**	7
		3,682	3,931
Hong Kong property development profit from share of surplus and interest in unsold properties	4	**9,277**	3,654
Loss from fair value measurement of investment properties	5	**(2,389)**	(1,307)
Operating profit before depreciation, amortisation and variable annual payment		**10,570**	6,278
Depreciation and amortisation		**(2,773)**	(2,635)
Impairment loss	13	**(962)**	–
Variable annual payment		**(198)**	(211)
Share of profit of associates and joint ventures	6	**490**	530
Profit before interest, finance charges and taxation		**7,127**	3,962
Interest and finance charges	7	**(458)**	(445)
Profit before taxation		**6,669**	3,517
Income tax	8	**(1,741)**	(735)
Profit for the period		**4,928**	2,782
Attributable to:			
– Shareholders of the Company		**4,732**	2,673
– Non-controlling interests		**196**	109
Profit for the period		**4,928**	2,782
Profit/(loss) attributable to shareholders of the Company:	3		
– Arising from recurrent businesses		**(678)**	912
– Arising from property development		**7,786**	3,081
– Arising from underlying businesses		**7,108**	3,993
– Arising from fair value measurement of investment properties		**(2,376)**	(1,320)
		4,732	2,673
Earnings per share:	10		
– Basic		**HK$0.76**	HK$0.43
– Diluted		**HK$0.76**	HK$0.43

The notes on pages 50 to 74 form part of this interim financial report.
Details of dividends payable to shareholders of the Company are set out in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in HK$ million	Note	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Profit for the period		**4,928**	2,782
Other comprehensive (loss)/income for the period (after taxation and reclassification adjustments):	11		
Item that will not be reclassified to profit or loss:			
– (Loss)/surplus on revaluation of self-occupied land and buildings		**(21)**	56
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		**(951)**	38
– non-controlling interests		**(9)**	23
– Cash flow hedges: net movement in hedging reserve		**313**	(130)
		(647)	(69)
		(668)	(13)
Total comprehensive income for the period		**4,260**	2,769
Attributable to:			
– Shareholders of the Company		**4,073**	2,637
– Non-controlling interests		**187**	132
Total comprehensive income for the period		**4,260**	2,769

The notes on pages 50 to 74 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in HK$ million	Note	**At 30 June 2022 (Unaudited)**	At 31 December 2021 (Audited)
Assets			
Fixed assets			
– Investment properties	12A	**82,492**	84,801
– Other property, plant and equipment	12B	**101,311**	101,517
– Service concession assets	13	**33,988**	34,714
		217,791	221,032
Goodwill and property management rights		**62**	69
Property development in progress	15	**10,605**	11,215
Deferred expenditure	16	**2,343**	1,964
Interests in associates and joint ventures		**12,504**	12,442
Deferred tax assets	23	**669**	599
Investments in securities		**1,470**	1,479
Properties held for sale	17	**1,133**	639
Derivative financial assets	18	**619**	363
Stores and spares		**2,299**	2,129
Debtors and other receivables	19	**10,774**	14,797
Amounts due from related parties	20	**5,586**	4,384
Cash, bank balances and deposits		**26,439**	20,970
		292,294	292,082
Liabilities			
Bank overdrafts		**18**	–
Short-term loans		**1,881**	1,650
Creditors, other payables and provisions	21	**40,390**	40,077
Current taxation		**3,517**	2,381
Amounts due to related parties	20	**5,518**	479
Loans and other obligations	22	**37,389**	42,102
Obligations under service concession		**10,181**	10,231
Derivative financial liabilities	18	**938**	561
Loans from holders of non-controlling interests		**142**	146
Deferred tax liabilities	23	**14,392**	14,418
		114,366	112,045
Net assets		**177,928**	180,037
Capital and reserves	24		
Share capital		**60,188**	60,184
Shares held for Executive Share Incentive Scheme		**(268)**	(245)
Other reserves		**117,498**	119,775
Total equity attributable to shareholders of the Company		**177,418**	179,714
Non-controlling interests		**510**	323
Total equity		**177,928**	180,037

The notes on pages 50 to 74 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Other reserves							
in HK$ million	Note	Share capital	Shares held for Executive Share Incentive Scheme	Fixed assets revaluation reserve	Hedging reserve	Employee share-based capital reserve	Exchange reserve	Retained profits	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
30 June 2022 (Unaudited)											
Balance as at 1 January 2022 (Audited)		**60,184**	**(245)**	**3,781**	**2**	**124**	**429**	**115,439**	**179,714**	**323**	**180,037**
Changes in equity for the six months ended 30 June 2022:											
– Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**4,732**	**4,732**	**196**	**4,928**
– Other comprehensive (loss)/ income for the period		**–**	**–**	**(21)**	**313**	**–**	**(951)**	**–**	**(659)**	**(9)**	**(668)**
– Total comprehensive (loss)/ income for the period		**–**	**–**	**(21)**	**313**	**–**	**(951)**	**4,732**	**4,073**	**187**	**4,260**
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		**–**	**–**	**–**	**1**	**–**	**–**	**–**	**1**	**–**	**1**
– 2021 final ordinary dividend	9	**–**	**–**	**–**	**–**	**–**	**–**	**(6,317)**	**(6,317)**	**–**	**(6,317)**
– Shares purchased for Executive Share Incentive Scheme	24E	**–**	**(109)**	**–**	**–**	**–**	**–**	**–**	**(109)**	**–**	**(109)**
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	24F	**4**	**86**	**–**	**–**	**(86)**	**–**	**(4)**	**–**	**–**	**–**
– Employee share-based payments		**–**	**–**	**–**	**–**	**56**	**–**	**–**	**56**	**–**	**56**
Balance as at 30 June 2022		**60,188**	**(268)**	**3,760**	**316**	**94**	**(522)**	**113,850**	**177,418**	**510**	**177,928**
31 December 2021 (Audited)											
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	9	–	–	–	–	–	–	(6,060)	(6,060)	–	(6,060)
– Shares purchased for Executive Share Incentive Scheme	24E	–	(116)	–	–	–	–	–	(116)	–	(116)
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	24F	3	133	–	–	(133)	–	(3)	–	–	–
– Employee share-based payments		–	–	–	–	33	–	–	33	–	33
– Employee share options exercised	24C	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
Changes in equity for the six months ended 31 December 2021:											
– Profit for the period		–	–	–	–	–	–	6,879	6,879	18	6,897
– Other comprehensive income/ (loss) for the period		–	–	63	(13)	–	241	253	544	(20)	524
– Total comprehensive income/ (loss) for the period		–	–	63	(13)	–	241	7,132	7,423	(2)	7,421
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	(1)	–	–	–	(1)	–	(1)
– Shares issued in respect of scrip dividend of 2020 final ordinary dividend		369	(1)	–	–	–	–	1	369	–	369
– 2021 interim ordinary dividend	9	–	–	–	–	–	–	(1,548)	(1,548)	–	(1,548)
– Shares issued in respect of scrip dividend of 2021 interim ordinary dividend		74	(1)	–	–	–	–	1	74	–	74
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme		–	2	–	–	(2)	–	–	–	–	–
– Employee share-based payments		–	–	–	–	50	–	–	50	–	50
Balance as at 31 December 2021 (Audited)		60,184	(245)	3,781	2	124	429	115,439	179,714	323	180,037

The notes on pages 50 to 74 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

in HK$ million	Note	**Six months ended 30 June 2022 (Unaudited)**		Six months ended 30 June 2021 (Unaudited)	
Cash flows from operating activities					
Cash generated from operations	26	**4,617**		4,747	
Purchase of tax reserve certificates		**(57)**		(57)	
Current tax paid					
– Hong Kong Profits Tax paid		**(488)**		(313)	
– Tax paid outside Hong Kong		**(297)**		(162)	
Net cash generated from operating activities			**3,775**		4,215
Cash flows from investing activities					
Capital expenditure					
– Purchase of assets for Hong Kong transport and related operations		**(2,928)**		(2,776)	
– Hong Kong railway extension projects		**(641)**		(265)	
– Shenzhen Metro Line 13 Project		**(97)**		–	
– Investment property projects and fitting out work		**(288)**		(89)	
– Other capital projects		**(99)**		(63)	
Variable annual payment		**(260)**		(238)	
Receipts in respect of property development		**11,520**		13,797	
Payments in respect of property development		**(368)**		(836)	
Increase in bank deposits with more than three months to maturity when placed or pledged		**(4,676)**		(2,643)	
Distribution from associates and joint ventures		**195**		39	
Purchase of investments in securities		**(61)**		(719)	
Others		**(351)**		(134)	
Net cash generated from investing activities			**1,946**		6,073
Cash flows from financing activities					
Proceeds from shares issued under share option schemes		**–**		67	
Purchase of shares for Executive Share Incentive Scheme		**(109)**		(116)	
Proceeds from loans and capital market instruments		**8,939**		7,925	
Repayment of loans and capital market instruments		**(12,857)**		(11,505)	
Interest and finance charges paid		**(447)**		(434)	
Interest received		**104**		85	
Capital element of lease rentals paid		**(101)**		(104)	
Net cash used in financing activities			**(4,471)**		(4,082)
Net increase in cash and cash equivalents			**1,250**		6,206
Cash and cash equivalents at 1 January			**10,752**		11,879
Effect of exchange rate changes			**(475)**		38
Cash and cash equivalents at 30 June			**11,527**		18,123
Analysis of the balances of cash and cash equivalents					
Cash, bank balances and deposits on the consolidated statement of financial position			**26,439**		29,793
Bank deposits with more than three months to maturity when placed or pledged			**(14,894)**		(11,670)
Bank overdrafts			**(18)**		–
Cash and cash equivalents in the consolidated cash flow statement			**11,527**		18,123

The notes on pages 50 to 74 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 the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's review report to the Board of Directors is set out on page 75. In addition, this interim financial report has been reviewed by the Company's Audit & Risk Committee.

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

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

This interim financial report contains the condensed consolidated interim 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 interests in associates and joint ventures since the issuance of the 2021 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"), and should be read in conjunction with the 2021 annual accounts.

The financial information relating to the financial year ended 31 December 2021 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 2021 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 sections 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 2021 annual accounts.

2 Revenue and Expenses relating to Mainland China and International Subsidiaries

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

	Six months ended 30 June 2022		Six months ended 30 June 2021	
in HK$ million	Revenue	Expenses	Revenue	Expenses
Melbourne Train	**6,742**	**6,162**	6,259	5,960
Sydney Metro North West	**306**	**279**	327	294
Sydney Metro City & Southwest	**1,203**	**1,090**	746	742
MTR Nordic	**2,798**	**2,810**	2,669	2,648
TfL Rail/Elizabeth Line	**1,283**	**1,189**	1,170	1,096
Shenzhen Metro Line 4 ("SZL4")	**337**	**294**	396	340
Shenzhen Metro Line 13 ("SZL13")	**90**	**90**	–	–
Others	**391**	**313**	483	391
	13,150	**12,227**	12,050	11,471
Property development in Mainland China	**138**	**89**	32	25
Total Mainland China and international subsidiaries	**13,288**	**12,316**	12,082	11,496

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 China and international railway, property rental and management businesses and other businesses, and excluding fair value measurement on investment properties in Hong Kong and Mainland China) 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 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 China.

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

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

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

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

3 Segmental Information *(continued)*

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

in HK$ million	Hong Kong transport services: 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 China and international affiliates: Mainland China and international railway, property rental and management businesses	Mainland China and international affiliates: Mainland China property development	Other businesses	Un-allocated amount	Total
Six months ended 30 June 2022									
Revenue from contracts with customers within the scope of HKFRS 15	**5,815**	**712**	**119**	**–**	**12,992**	**138**	**142**	**–**	**19,918**
– Recognised at a point in time	**5,262**	**10**	**–**	**–**	**1,651**	**138**	**30**	**–**	**7,091**
– Recognised over time	**553**	**702**	**119**	**–**	**11,341**	**–**	**112**	**–**	**12,827**
Revenue from other sources	**–**	**769**	**2,188**	**–**	**158**	**–**	**–**	**–**	**3,115**
Total revenue	**5,815**	**1,481**	**2,307**	**–**	**13,150**	**138**	**142**	**–**	**23,033**
Operating expenses	**(5,931)**	**(244)**	**(434)**	**–**	**(12,227)**	**(89)**	**(253)**	**–**	**(19,178)**
Project study and business development expenses	**–**	**–**	**–**	**–**	**(140)**	**–**	**–**	**(33)**	**(173)**
Operating (loss)/profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	**(116)**	**1,237**	**1,873**	**–**	**783**	**49**	**(111)**	**(33)**	**3,682**
Hong Kong property development profit from share of surplus and interest in unsold properties	**–**	**–**	**–**	**9,277**	**–**	**–**	**–**	**–**	**9,277**
Loss from fair value measurement of investment properties^	**–**	**–**	**(2,336)**	**–**	**(53)**	**–**	**–**	**–**	**(2,389)**
Operating (loss)/profit before depreciation, amortisation and variable annual payment	**(116)**	**1,237**	**(463)**	**9,277**	**730**	**49**	**(111)**	**(33)**	**10,570**
Depreciation and amortisation	**(2,496)**	**(105)**	**(7)**	**–**	**(132)**	**–**	**(33)**	**–**	**(2,773)**
Impairment loss	**–**	**–**	**–**	**–**	**(962)**	**–**	**–**	**–**	**(962)**
Variable annual payment	**(163)**	**(34)**	**(1)**	**–**	**–**	**–**	**–**	**–**	**(198)**
Share of profit of associates and joint ventures	**–**	**–**	**–**	**–**	**292**	**–**	**198**	**–**	**490**
(Loss)/profit before interest, finance charges and taxation	**(2,775)**	**1,098**	**(471)**	**9,277**	**(72)**	**49**	**54**	**(33)**	**7,127**
Interest and finance charges	**–**	**–**	**–**	**–**	**(36)**	**43**	**–**	**(465)**	**(458)**
Income tax	**–**	**–**	**–**	**(1,530)**	**(182)**	**(53)**	**–**	**24**	**(1,741)**
(Loss)/profit for the six months ended 30 June 2022	**(2,775)**	**1,098**	**(471)**	**7,747**	**(290)**	**39**	**54**	**(474)**	**4,928**

^ Loss attributable to shareholders of the Company arising from fair value measurement of investment properties for the six months ended 30 June 2022 (HK$2,376 million) represents loss from fair value measurement of investment properties (HK$2,389 million) and net of related income tax credit (HK$13 million).

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 China and international affiliates: Mainland China and international railway, property rental and management businesses	Mainland China and international affiliates: Mainland 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, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	251	1,276	2,078	–	457	7	(91)	(47)	3,931
Hong Kong property development profit from share of surplus and interest in unsold properties	–	–	–	3,654	–	–	–	–	3,654
Loss from fair value measurement of investment properties^	–	–	(1,116)	–	(191)	–	–	–	(1,307)
Operating profit/(loss) before depreciation, amortisation and variable annual payment	251	1,276	962	3,654	266	7	(91)	(47)	6,278
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	951	3,654	562	7	(25)	(47)	3,962
Interest and finance charges	–	–	–	–	(33)	37	–	(449)	(445)
Income tax	–	–	–	(602)	(45)	(15)	–	(73)	(735)
(Loss)/profit for the six months ended 30 June 2021	(2,285)	1,145	951	3,052	484	29	(25)	(569)	2,782

^ Loss attributable to shareholders of the Company arising from fair value measurement of investment properties for the six months ended 30 June 2021 (HK$1,320 million) represents loss from fair value measurement of investment properties (HK$1,307 million) and related income tax expenses (HK$13 million).

3 Segmental Information *(continued)*

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

in HK$ million	**Six months ended 30 June 2022**	Six months ended 30 June 2021
Hong Kong SAR (place of domicile)	**9,724**	10,193
Australia	**8,251**	7,332
Mainland China and Macao SAR	**970**	948
Sweden	**2,798**	2,669
United Kingdom	**1,290**	1,175
	13,309	12,124
	23,033	22,317

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

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

in HK$ million	**Six months ended 30 June 2022**	Six months ended 30 June 2021
Share of surplus and interest in unsold properties from property development	**9,161**	3,635
Agency fee and other income from West Rail property development	**122**	29
Overheads and miscellaneous studies	**(6)**	(10)
	9,277	3,654

5 Loss from Fair Value Measurement of Investment Properties

Loss from fair value measurement of investment properties comprises:

in HK$ million	**Six months ended 30 June 2022**	Six months ended 30 June 2021
Loss from fair value remeasurement on investment properties	**(2,389)**	(1,386)
Gain from fair value measurement of investment properties on initial recognition from property development	**–**	79
	(2,389)	(1,307)

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 2022**	Six months ended 30 June 2021
Share of profit before taxation	**822**	786
Share of income tax expenses	**(332)**	(256)
	490	530

7 Interest and Finance Charges

Interest and finance charges comprise:

in HK$ million	Six months ended 30 June 2022		Six months ended 30 June 2021	
Interest expenses in respect of:				
– Bank loans, overdrafts and capital market instruments	**428**		464	
– Obligations under service concession	**344**		346	
– Lease liabilities	**23**		26	
– Others	**21**		12	
Finance charges	**21**		25	
Exchange gain	**(152)**		(105)	
		685		768
Utilisation of government subsidy for SZL4 operation		**(21)**		(28)
Derivative financial instruments:				
– Fair value hedges	**(17)**		2	
– Cash flow hedges:				
– transferred from hedging reserve to interest expenses	**(11)**		(5)	
– transferred from hedging reserve to offset exchange gain	**163**		106	
– transferred from hedging reserve upon discontinuation of hedge accounting	**–**		(93)	
– Derivatives not qualified for hedge accounting	**(7)**		(6)	
		128		4
Interest expenses capitalised		**(177)**		(161)
		615		583
Interest income in respect of:				
– Deposits with banks	**(119)**		(110)	
– Others	**(38)**		(28)	
		(157)		(138)
		458		445

8 Income Tax

Income tax in the consolidated profit and loss account represents:

in HK$ million	Six months ended 30 June 2022	Six months ended 30 June 2021
Current tax		
– Hong Kong Profits Tax	**1,583**	677
– Tax outside Hong Kong	**342**	89
	1,925	766
Deferred tax		
– Origination and reversal of temporary differences on:		
– tax losses	**(24)**	(9)
– depreciation allowances in excess of related depreciation	**(5)**	(3)
– revaluation of properties	**(9)**	(25)
– provisions and others	**(146)**	6
	(184)	(31)
	1,741	735

8 Income Tax *(continued)*

A 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 2022 is calculated at 16.5% (2021: 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 2021.

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% (2021: 16.5%), while that arising outside Hong Kong is calculated at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

B Since the Rail Merger in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of the amortisation of upfront payment and cut-over liabilities, and fixed annual payments and variable annual payments relating to the Rail Merger (collectively "the Sums"). The total tax amount in respect of the Sums for the years of tax assessment from 2007/2008 to 2021/2022 amounted to HK$4.4 billion. As disclosed in previous years, the Inland Revenue Department of Hong Kong ("IRD") issued notices of profits tax assessments/additional profits tax assessments for the years of assessment from 2009/2010 to 2017/2018 disallowing deduction of the Sums in the computation of the Company's assessable profits. Based on the strength of advice from the external legal counsels and tax advisor, the Company has lodged objections against these tax assessments (regarding the deductibility of the Sums) and has applied to hold over the additional tax demanded. The IRD has agreed to the holdover of the additional tax demanded subject to the purchases of tax reserve certificates ("TRCs") amounting to HK$2.3 billion. The Company has purchased the required TRCs and the additional tax demanded has been held over by IRD. The purchases of TRCs do not prejudice the Company's tax position and the purchased TRCs were included in debtors and other receivables in the Group's consolidated statement of financial position.

On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing with the objections lodged by the Company and confirming profits tax assessment/additional profits tax assessments in respect of the Sums in dispute for the years of assessment from 2011/2012 to 2017/2018 (i.e. holding that the Sums are not deductible in the computation of the Company's assessable profits for those years of assessment). The Company re-affirmed the case with the external legal counsel who advised the Company previously and the tax advisor, and obtained further advice from another external legal counsel. Based on the advice from the external legal counsels and tax advisor, the directors of the Company believe that the Company has strong legal grounds and have determined to contest and appeal against the assessments for the years of assessment from 2011/2012 to 2017/2018. Accordingly, the Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022. No additional tax provision has been made as a result of the determination received in respect of the above notices of profits tax assessments/additional profits tax assessments and other relevant years of assessment. As of the date of this interim financial report, the date of hearing before the Board of Review is yet to be fixed.

9 Dividends

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

in HK$ million	**Six months ended 30 June 2022**	Six months ended 30 June 2021
Ordinary dividends attributable to the period		
– Interim ordinary dividend declared after the end of the reporting period of HK$0.42 (2021: HK$0.25) per share	**2,604**	1,548
Ordinary dividends attributable to the previous year		
– Final ordinary dividend of HK$1.02 (2021: HK$0.98 per share attributable to year 2020) per share approved and payable during the period	**6,317**	6,060

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 2021 final ordinary dividend payable of HK$4,727 million to the Financial Secretary Incorporated (the "FSI") of the HKSAR Government and HK$1,590 million to other shareholders in the amounts due to related parties (note 20) and creditors, other payables and provisions (note 21) respectively in the consolidated statement of financial position as at 30 June 2022.

10 Earnings Per Share

A Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the six months ended 30 June 2022 of HK$4,732 million (2021: HK$2,673 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 2022	Six months ended 30 June 2021
Issued ordinary shares at 1 January	**6,193,462,514**	6,180,927,873
Effect of share options exercised	**–**	1,104,433
Less: Shares held for Executive Share Incentive Scheme	**(5,378,222)**	(5,178,777)
Weighted average number of ordinary shares less shares held for Executive Share Incentive Scheme for the six months ended 30 June	**6,188,084,292**	6,176,853,529

B Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to shareholders for the six months ended 30 June 2022 of HK$4,732 million (2021: HK$2,673 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme after adjusting for the dilutive effect of the Company's Executive Share Incentive Scheme (2021: 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 2022	Six months ended 30 June 2021
Weighted average number of ordinary shares less shares held for Executive Share Incentive Scheme for the six months ended 30 June	**6,188,084,292**	6,176,853,529
Effect of dilutive potential shares under the share option scheme	**–**	441,314
Effect of shares awarded under Executive Share Incentive Scheme	**5,787,213**	5,301,334
Weighted average number of shares (diluted) for the six months ended 30 June	**6,193,871,505**	6,182,596,177

C Both basic and diluted earnings per share would have been HK$1.15 (2021: HK$0.65) if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK$7,108 million (2021: HK$3,993 million).

11 Other Comprehensive Loss

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

in HK$ million	Six months ended 30 June 2022 Before-tax amount	Tax credit/ (expenses)	Net-of-tax amount	Six months ended 30 June 2021 Before-tax amount	Tax (expenses)/ credit	Net-of-tax amount
Exchange differences on translation of:						
– Financial statements of subsidiaries, associates and joint ventures outside Hong Kong	**(951)**	**–**	**(951)**	38	–	38
– Non-controlling interests	**(9)**	**–**	**(9)**	23	–	23
	(960)	**–**	**(960)**	61	–	61
(Loss)/surplus on revaluation of self-occupied land and buildings (note 12B)	**(25)**	**4**	**(21)**	67	(11)	56
Cash flow hedges: net movement in hedging reserve (note 11B)	**375**	**(62)**	**313**	(156)	26	(130)
Other comprehensive loss	**(610)**	**(58)**	**(668)**	(28)	15	(13)

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

in HK$ million	**Six months ended 30 June 2022**	Six months ended 30 June 2021
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**213**	(164)
Amounts transferred to profit or loss:		
– Interest and finance charges (note 7)	**152**	8
– Other expenses	**10**	–
Deferred tax on the above items	**(62)**	26
	313	(130)

12 Investment Properties and Other Property, Plant and Equipment

A Investment Properties

Investment properties of the Group in Hong Kong and Mainland 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.

The Group recognised the net decrease in fair value of HK$2,389 million for the six months ended 30 June 2022 (2021: HK$1,307 million) (note 5) under fair value measurement of investment properties 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 consolidated profit and loss account in subsequent periods.

12 Investment Properties and Other Property, Plant and Equipment *(continued)*

B Other Property, Plant and Equipment

(i) Acquisitions of Owned Assets

During the six months ended 30 June 2022, the Group acquired or commissioned assets (other than right-of-use assets) at a total cost of HK$1,790 million (2021: HK$1,547 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 loss of HK$25 million (2021: surplus of HK$67 million), which, net of deferred tax credit of HK$4 million (2021: deferred tax expenses of HK$11 million), has been recognised in other comprehensive loss (note 11A) and accumulated in the fixed assets revaluation reserve account.

(iii) As at 30 June 2022, included in assets under construction is cost amounting to HK$2.6 billion incurred on a project ("New Signalling System") of replacing the existing signalling system ("SACEM System") of the Group's four urban lines (Island, Tseung Kwan O, Kwun Tong and Tsuen Wan Lines) in Hong Kong.

Due to the technical complexity involved and the pandemic situation, the contractor for the New Signalling System is taking longer than expected to complete the software safety assurance processes required by the Group. The Group is working closely with the contractor to progress the project, together with necessary measures to replace certain assets and to equip new trains with the SACEM System so as to be able to continue to provide quality and reliable train services in the short term whilst the necessary assurance processes for the New Signalling System are in progress. Meanwhile, the Group started to study alternative options which might deliver improved outcomes and their associated costs within a reasonable time span. There are a number of options being studied which include the possibility of upgrading the existing SACEM System for the long run instead of the full implementation of the New Signalling System.

As a result of the delay as referred to above, the Group is closely monitoring the progress of the signalling replacement project. In the event that the Company decides not to implement the whole, or any part, of the New Signalling System, the associated costs capitalised by then, to the extent not directly attributable to the acquisition of an asset expected to bring future economic benefits to the Group, will be written-off and charged to the consolidated profit and loss account in the reporting period when such determination is made.

C Right-of-use Assets

During the six months ended 30 June 2022, additions to right-of-use assets were HK$324 million (2021: HK$183 million). This amount primarily related to additions of plant and equipment leased of HK$200 million (2021: HK$15 million) and leasehold investment properties of HK$98 million (2021: HK$168 million).

13 Service Concession Assets

During the six months ended 30 June 2022, the Group incurred HK$1,113 million (2021: HK$865 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$44 million (2021: HK$31 million) and HK$22 million (2021: HK$18 million) of expenditure for the replacement and upgrade of the concession property of the High Speed Rail ("Additional Concession Property (High Speed Rail)") and the Shatin to Central Link ("Additional Concession Property (SCL)") respectively under the supplemental service concession arrangements with KCRC, and HK$13 million (2021: HK$14 million) of expenditure for asset additions in respect of Shenzhen Metro Line 4 ("SZL4").

SZL4 forms part of the Shenzhen Metro, which is operated by a wholly owned subsidiary, MTR Corporation (Shenzhen) Limited ("MTRSZ"). In July 2020, the Shenzhen Municipal Government announced that a fare adjustment framework for the Shenzhen Metro network would come into effect on 1 January 2021. The framework was expected to enable the establishment of a mechanism for fare setting and the implementation procedures for fare adjustments. Up to 30 June 2022, there has been no increase in SZL4's fare since MTRSZ started operating the line in 2010 whilst the operating costs continue to rise. As disclosed in previous years, if a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

As it is anticipated that the mechanism and procedures for fare adjustments will take longer time to implement and patronage will remain at a lower level for a period of time, an impairment test was performed for SZL4, which carried a book value of HK$4,589 million, and the corresponding recoverable amount was determined at HK$3,627 million as at 30 June 2022. As such, an impairment provision of HK$962 million was recognised for the SZL4 service concession assets in the consolidated profit and loss account for the six months ended 30 June 2022. The recoverable amount tested for impairment has been determined based on a value in use calculation covering the remaining services concession period. An estimated pre-tax discount rate of 9.2% was used in estimating SZL4 's value in use.

14 Railway Construction Projects under Entrustment by the HKSAR Government

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

(a) 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.

(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 2022, 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 14A(c)(iv) below), up to the date of this interim financial 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 14A(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 14A(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;

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

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

(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 previously obtained, 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 14A(c)(ii) above).

(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 14A(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 as of 30 June 2022 and up to the date of this interim financial 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

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

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

(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 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 2022, HK$77 million (2021: HK$157 million) of such costs were incurred by the Company, which are payable by the HKSAR Government. As at 30 June 2022, the amount of such costs which remained outstanding from the HKSAR Government was HK$190 million (as at 31 December 2021: HK$246 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 2022, the Company has received full payment of the Original PMC from the HKSAR Government in accordance with the original agreed payment schedule. The total Original PMC of HK$7,893 million has been fully recognised in the consolidated profit and loss account in previous years.

(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 14B(b)(ii) below but excluding the Hung Hom Incidents Related Costs in respect of which the Company had already recognised a provision of HK$2 billion in its consolidated profit and loss account for the year ended 31 December 2019 (as detailed in note 14B(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 14B(c)(iii) below) and any Additional PMC for the Company as further detailed in note 14B(b)(ii) below.

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

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

(ii) Additional PMC

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

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.

(iii) Provision for the SCL PMC

After taking into account the matters described in note 14B(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 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 2022, the provision utilised amounted to HK$168 million (2021: HK$277 million) and no provision was written back (2021: HK$nil). As at 30 June 2022, the provision of HK$625 million (as at 31 December 2021: HK$793 million) (net of amount utilised) is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

This amount does not take into account any potential payment to the Company of any Additional PMC (whether 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.

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

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

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.

(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 14B(c) above, and in particular, the Company's decision to fund, on an interim and without prejudice basis, the Hung Hom Incidents Related Costs, the Company recognised a provision of HK$2,000 million in its consolidated profit and loss account for the year ended 31 December 2019. During the six months ended 30 June 2022, the provision utilised amounted to HK$66 million (2021: HK$136 million) and no provision was written back (2021: HK$nil). As at 30 June 2022, the provision of HK$878 million (as at 31 December 2021: HK$944 million) (net of amount utilised) is included in "Creditors, other payables and provisions" in the consolidated statement of financial position.

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

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

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

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 14B(c)(i) above), up to the date of this interim financial report, no claim has been received from the HKSAR Government in relation to any SCL Agreement. It is uncertain as to whether such claim will be made against the Company in the future and, if made, the nature and amount of such claim.

The eventual outcome of the discussions between the Company and the HKSAR Government on various matters 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 2022 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.

(f) 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, being the first part of the SCL, 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.

On 10 May 2022, 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 SCL as a whole in substantially the same manner as the existing railway network but for a period of ten years from 15 May 2022, being the date of commissioning and commercial operation of the second part of the SCL which extended the East Rail Line (Original) (as defined in the SSCA3-SCL) from Hung Hom Station to Admiralty Station via Exhibition Centre Station, including the supplemental service concession agreement ("**SSCA3-SCL**") signed with KCRC. The SSCA3-SCL superseded and replaced the SSCA2-SCL. Prior to the expiry of this ten-year period, the parties are obliged to commence exclusive negotiations in good faith with a view to agreeing the terms of a legally binding agreement in relation to an extension of SCL concession (including, without limitation, that the Company shall operate the SCL pursuant to a service concession as defined in the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong)) which shall apply to the SCL the Operating Agreement dated 9 August 2007 and which should in accordance with the Operating Agreement dated 9 August 2007, enable the Company to earn a commercial rate of return from its operation of the SCL.

15 Property Development in Progress

Movements of property development in progress of the Group during the six months ended 30 June 2022 and the year ended 31 December 2021 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 2022 (Unaudited)					
Hong Kong Property Development Projects	**11,215**	**516**	**(485)**	**(641)**	**10,605**
At 31 December 2021 (Audited)					
Hong Kong Property Development Projects	11,942	600	(834)	(493)	11,215

16 Deferred Expenditure

As at 30 June 2022, included in deferred expenditure are costs incurred of HK$1.8 billion (31 December 2021: HK$0.9 billion) in relation to certain projects with the HKSAR Government which the project agreements are yet to be reached. The future development of the respective projects is expected to bring future economic benefits to the Group. In the event that in a future period it is no longer considered probable that the corresponding project agreements can be reached, and the costs concerned are no longer considered as recoverable, the costs concerned will be charged to the consolidated profit and loss account in that reporting period.

17 Properties Held for Sale

in HK$ million	**At 30 June 2022 (Unaudited)**	At 31 December 2021 (Audited)
Properties held for sale		
– at cost	**1,108**	614
– at net realisable value	**25**	25
	1,133	639
Representing:		
Hong Kong property development	**1,109**	543
Mainland China property development	**24**	96
	1,133	639

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

For Hong Kong property development, the net realisable values as at 30 June 2022 and 31 December 2021 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 2022 are stated net of provision of HK$4 million (31 December 2021: HK$4 million) made in order to state these properties at the lower of their cost and estimated net realisable value.

18 Derivative Financial Assets and Liabilities

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

	At 30 June 2022 (Unaudited)		At 31 December 2021 (Audited)	
in HK$ million	Notional amount	Fair value	Notional amount	Fair value
Derivative Financial Assets				
Foreign exchange forwards				
– fair value hedges	**–**	**–**	498	1
– cash flow hedges	**13**	**–**	128	2
– not qualified for hedge accounting	**9**	**–**	111	1
Cross currency swaps				
– fair value hedges	**928**	**39**	4,969	159
– cash flow hedges	**18,762**	**449**	12,742	145
Interest rate swaps				
– fair value hedges	**400**	**1**	2,400	26
– cash flow hedges	**500**	**75**	500	17
– not qualified for hedge accounting	**3,034**	**55**	2,034	12
	23,646	**619**	23,382	363
Derivative Financial Liabilities				
Foreign exchange forwards				
– fair value hedges	**1,974**	**12**	3,450	10
– cash flow hedges	**526**	**41**	424	15
– not qualified for hedge accounting	**552**	**38**	276	15
Cross currency swaps				
– fair value hedges	**3,803**	**110**	783	5
– cash flow hedges	**3,634**	**623**	9,654	515
Interest rate swaps				
– fair value hedges	**1,600**	**77**	–	–
– not qualified for hedge accounting	**300**	**37**	300	1
	12,389	**938**	14,887	561
Total	**36,035**		38,269	

19 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 19(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. Service fees from Macao Light Rapid Transit Taipa Line are billed monthly with due dates in accordance with the terms of the service agreement.

(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 is collected once every 4 weeks.

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

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

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

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

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

19 Debtors and Other Receivables *(continued)*

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

in HK$ million	**At 30 June 2022 (Unaudited)**	At 31 December 2021 (Audited)
Amounts not yet due	**3,146**	3,779
Overdue by within 30 days	**262**	283
Overdue by more than 30 days but within 60 days	**89**	62
Overdue by more than 60 days but within 90 days	**49**	34
Overdue by more than 90 days	**173**	139
Total debtors	**3,719**	4,297
Other receivables and contract assets	**7,055**	10,500
	10,774	14,797

Included in other receivables as at 30 June 2022 was HK$461 million (31 December 2021: HK4,300 million) in respect of property development profit in Hong Kong distributable from stakeholding funds and receivables from property purchasers based on the terms of the development agreements and sales and purchase agreements. In addition, the Company purchased the tax reserve certificates of Hong Kong Profits Tax in respect of certain payments relating to the Rail Merger. Details are set out in note 8B to this interim financial report.

20 Material Related Party Transactions

The FSI of the HKSAR Government, which holds approximately 74.82% of the Company's issued share capital on trust for the HKSAR Government as at 30 June 2022, 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 2022 (Unaudited)**	At 31 December 2021 (Audited)
Amounts due from:		
– HKSAR Government	**938**	757
– KCRC	**4,397**	3,507
– associates	**251**	120
	5,586	4,384
Amounts due to:		
– HKSAR Government	**4,820**	86
– KCRC	**639**	333
– associates	**59**	60
	5,518	479

As at 30 June 2022, the amount due from the HKSAR Government mainly related to the recoverable cost for the advanced works in relation to the Shatin to Central Link, reimbursable costs for the essential public infrastructure works in respect of the South Island Line, reimbursement of the fare revenue difference in relation to the "Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities", agency fee receivables and reimbursable costs in respect of West Rail property development, as well as receivables and retention for other entrustment and maintenance works.

The amount due to the HKSAR Government as at 30 June 2022 mainly related to the 2021 final ordinary dividend payable (note 9) amounting to HK$4,727 million as well as the 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 Shatin to Central Link. 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 Shatin to Central Link.

20 Material Related Party Transactions *(continued)*

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 2021. Details of major related party transactions entered into by the Group with KCRC in respect of Shatin to Central Link has been described in note 14B(f). During the six months ended 30 June 2022, amounts recoverable or invoiced by the Company under West Rail Agency Agreement is HK$18 million (2021: HK$24 million) and amount payable or paid by the Company under Service Concession Agreement is HK$573 million (2021: HK$586 million). Net revenue received or receivable from KCRC in respect of High Speed Rail under SSCA-HSR, Tuen Ma Line and Shatin to Central Link under SSCA2-SCL and SSCA3-SCL amounted to HK$935 million (2021: 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).

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 2022 are provided in notes 14A and 14B. In addition, an amount of HK$247 million was paid/payable to the HKSAR Government (net of amount received/receivable) during the six months ended 30 June 2022 (2021: HK$30 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 lot by the HKSAR Government in respect of the following site during the six months ended 30 June 2022:

Property development site	Land grant/land premium offer acceptance date	Total land premium in HK$ million	Land premium settlement date
Pak Shing Kok Ventilation Building	**27 April 2022**	**1,101**	**27 April 2022 and 8 July 2022**

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

On 2 July 2020, the Company entered into a 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$84 million was recognised as consultancy income during the six months ended 30 June 2022 (2021: HK$102 million).

During the six months ended 30 June 2022, 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 2022**	Six months ended 30 June 2021
Octopus Group		
– Expenses paid or payable in respect of central clearing services provided by Octopus Group	**41**	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	**6**	11
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	**1,514**	1,157

21 Creditors, Other Payables and Provisions

The analysis of creditors by due dates is as follows:

in HK$ million	**At 30 June 2022 (Unaudited)**	At 31 December 2021 (Audited)
Due within 30 days or on demand	**8,295**	7,631
Due after 30 days but within 60 days	**1,622**	1,754
Due after 60 days but within 90 days	**957**	730
Due after 90 days	**4,554**	4,088
	15,428	14,203
Rental and other refundable deposits	**2,779**	2,818
Accrued employee benefits	**2,054**	1,599
Dividends payable to other shareholders	**1,590**	–
Total creditors and accrued charges	**21,851**	18,620
Other payables and provisions (notes 14B(b)(iii) & (c)(iii))	**16,168**	18,583
Contract liabilities	**2,371**	2,874
	40,390	40,077

22 Loans and Other Obligations

Notes issued by the Group during the six months ended 30 June 2022 and 2021 comprise:

	Six months ended 30 June 2022		Six months ended 30 June 2021	
in HK$ million	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	**–**	**–**	5,225	5,225

During the six months ended 30 June 2022, the Group did not issue any listed or unlisted debt securities (2021: issued RMB2,600 million (HK$3,097 million) of its listed debt securities and issued HK$1,418 million and RMB600 million (HK$710 million) of its unlisted debt securities in the respective currency).

As at 30 June 2022 and 31 December 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 2022, the Group redeemed RMB1,350 million (HK$1,606 million) of its listed debt securities (2021: HK$nil). The Group redeemed HK$2,230 million and RMB250 million (HK$296 million) (2021: HK$2,313 million, RMB720 million (HK$783 million) and USD60 million (HK$465 million)) of its unlisted debt securities in respective currency.

As at 30 June 2022, MTR Corporation (Shenzhen) Limited, a wholly owned subsidiary of the Company in the Mainland China, has pledged the fare and non-fare revenue and the benefits of insurance contracts in relation to Phase 2 of Shenzhen Metro Line 4 as security for the RMB922 million (HK$1,081 million) bank loan facility granted to it.

As at 30 June 2022, MTR CREC Metro (Shenzhen) Company Limited (formerly translated as "MTR CREG Metro (Shenzhen) Company Limited"), a subsidiary of the Company in the Mainland China, has pledged the fare and non-fare revenue in relation to Shenzhen Metro Line 13 as security for the RMB3.2 billion (HK$3.8 billion) bank loan facility granted to it.

Saved as disclosed above and those disclosed elsewhere in this interim financial report, none of the other assets of the Group was charged or subject to any encumbrance as at 30 June 2022.

23 Deferred Tax Assets and Liabilities

A Movements of deferred tax assets and liabilities during the six months ended 30 June 2022 and the year ended 31 December 2021 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
Balance as at 1 January 2022	**13,669**	**716**	**(463)**	**1**	**(104)**	**13,819**
Credited to consolidated profit and loss account	**(5)**	**(9)**	**(146)**	**–**	**(24)**	**(184)**
(Credited)/charged to reserves	**–**	**(4)**	**–**	**62**	**–**	**58**
Exchange differences	**(5)**	**2**	**23**	**–**	**10**	**30**
Balance as at 30 June 2022 (unaudited)	**13,659**	**705**	**(586)**	**63**	**(118)**	**13,723**
Balance as at 1 January 2021	13,365	723	(314)	29	(148)	13,655
Charged/(credited) to consolidated profit and loss account	302	(30)	(225)	–	36	83
Charged/(credited) to reserves	–	23	43	(28)	–	38
Exchange differences	2	–	33	–	8	43
Balance as at 31 December 2021 (audited)	13,669	716	(463)	1	(104)	13,819

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

in HK$ million	**At 30 June 2022 (Unaudited)**	At 31 December 2021 (Audited)
Net deferred tax assets	**(669)**	(599)
Net deferred tax liabilities	**14,392**	14,418
	13,723	13,819

24 Share Capital and Shares Held for Executive Share Incentive Scheme

A Share Capital

	Six months ended 30 June 2022		Year ended 31 December 2021	
	Number of shares	HK$ million	Number of shares	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**6,193,462,514**	**60,184**	6,180,927,873	59,666
Shares issued in respect of scrip dividend of 2020 final ordinary dividend	**–**	**–**	8,510,398	369
Shares issued in respect of scrip dividend of 2021 interim ordinary dividend	**–**	**–**	1,676,743	74
Vesting of shares of Executive Share Incentive Scheme	**–**	**4**	–	3
Shares issued under the share option scheme	**–**	**–**	2,347,500	72
At 30 June/31 December	**6,193,462,514**	**60,188**	6,193,462,514	60,184

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

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

C As at 30 June 2021, all outstanding share options granted under the 2007 Share Option Scheme had been exercised and/or lapsed. Movements in the number of share options outstanding during the six months ended 30 June 2021 are as follows:

	2007 Share Option Scheme
Outstanding at 1 January 2021	2,347,500
Exercised during the six months ended 30 June 2021	(2,347,500)
Outstanding at 30 June 2021	–
Exercisable at 30 June 2021	–

D During the six months ended 30 June 2022, 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 240,700 Performance Shares (2021: 1,558,050) and 2,639,250 Restricted Shares (2021: 1,955,950) were awarded and accepted by the grantees on 8 April 2022 (2021: 8 April 2021). The fair value of these awarded shares was HK$42.05 per share (2021: HK$44.05 per share) at the grant date.

E During the six months ended 30 June 2022, 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 2,560,000 Ordinary Shares (2021: 2,650,000) of the Company for a total consideration of approximately HK$109 million (2021: HK$116 million).

F During the six months ended 30 June 2022, 1,958,452 award shares (2021: 2,954,337) were transferred to the awardees under the Executive Share Incentive Scheme upon vesting. The total cost of the vested shares was HK$86 million (2021: HK$133 million). During the six months ended 30 June 2022, HK$4 million (2021: HK$3 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 2022, 96,119 award shares (2021: 727,369) were forfeited.

25 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 2022 and 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 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 2022, there were HK$266 million (31 December 2021: HK$272 million) of debt securities carried at fair value using Level 1 measurements, HK$500 million (31 December 2021: HK$499 million) of investment in bank medium-term notes carried at fair value using Level 2 measurements and HK$704 million (31 December 2021: HK$708 million) of unlisted equity securities carried at fair value using Level 3 measurements.

25 Fair Value Measurement *(continued)*

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

The Group's derivative financial instruments were carried at fair value using Level 2 measurements. As at 30 June 2022, the fair values of derivative financial assets and derivative financial liabilities were HK$619 million (31 December 2021: HK$363 million) and HK$938 million (31 December 2021: HK$561 million) respectively.

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

During the six months ended 30 June 2022, the additions to the investments in unlisted equity securities amounted to HK$nil (2021: HK$110 million), and the Group recognised the net increase in fair value of HK$11 million (2021: HK$10 million) in the consolidated profit and loss account. The fair value of the Group's investments in unlisted equity securities is determined based on the adjusted net asset method. The significant unobservable input includes the fair value of the individual assets less liabilities (recognised and unrecognised). The fair value measurement is positively correlated to the fair value of the individual assets less liabilities (recognised and unrecognised).

As at 30 June 2022, it is estimated that a 5-percent increase/decrease in fair value of the total individual assets less liabilities (recognised and unrecognised), with all other variables held constant, would increase/decrease the Group's profit after tax by approximately HK$26 million/HK$26 million (31 December 2021: HK$27 million/HK$27 million).

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

During the six months ended 30 June 2022 and 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 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 2022 and 31 December 2021 except for capital market instruments and other obligations, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2022 (Unaudited)		At 31 December 2021 (Audited)	
in HK$ million	Carrying amount	Fair value	Carrying amount	Fair value
Capital market instruments	**32,396**	**32,808**	37,027	41,102
Other obligations	**1,596**	**1,626**	1,574	1,663

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.

26 Cash Generated from Operations

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

in HK$ million	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment from recurrent businesses	**3,633**	3,924
Adjustments for non-cash items	**165**	96
Operating profit before working capital changes	**3,798**	4,020
(Increase)/decrease in debtors and other receivables	**(358)**	1,717
Increase in stores and spares	**(207)**	(141)
Increase/(decrease) in creditors, other payables and provisions	**1,384**	(849)
Cash generated from operations	**4,617**	4,747

27 Capital Commitments

A Outstanding capital commitments as at 30 June 2022 and 31 December 2021 not provided for in this interim financial report were as follows:

in HK$ million	Hong Kong transport operations, station commercial and other businesses	Hong Kong railway extension projects	Hong Kong property rental and development	Mainland China and overseas operations	Total
At 30 June 2022 (Unaudited)					
Authorised but not yet contracted for	**12,638**	**2,459**	**1,752**	**2**	**16,851**
Authorised and contracted for	**18,686**	**3,115**	**1,179**	**41**	**23,021**
	31,324	**5,574**	**2,931**	**43**	**39,872**
At 31 December 2021 (Audited)					
Authorised but not yet contracted for	10,741	5,773	2,242	28	18,784
Authorised and contracted for	19,670	1,413	1,364	35	22,482
	30,411	7,186	3,606	63	41,266

In addition to the above, the Group has the following capital commitments in respect of its investments in subsidiary and associate:

(i) In respect of Shenzhen Metro Line 13, the Group is responsible to contribute equity injection of up to RMB1,428 million (HK$1,674 million). Up to 30 June 2022, the Group has contributed RMB571 million (HK$669 million) equity to the project.

(ii) In respect of Sydney Metro City & Southwest, the Group is expected to further contribute equity of approximately AUD12.7 million (HK$69 million) and loans of approximately AUD13.3 million (HK$72 million) to the project for the share of investment.

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

in HK$ million	Improvement, enhancement and replacement works	Acquisition of property, plant and equipment	Additional concession property	Total
At 30 June 2022 (Unaudited)				
Authorised but not yet contracted for	**6,712**	**1,642**	**4,284**	**12,638**
Authorised and contracted for	**15,280**	**671**	**2,735**	**18,686**
	21,992	**2,313**	**7,019**	**31,324**
At 31 December 2021 (Audited)				
Authorised but not yet contracted for	5,990	1,168	3,583	10,741
Authorised and contracted for	16,044	659	2,967	19,670
	22,034	1,827	6,550	30,411

28 Comparative Figures

Certain comparative figures have been reclassified to conform to current period's presentation.

29 Approval of Interim Financial Report

The interim financial report was approved by the Board on 11 August 2022.

REVIEW REPORT

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 74 which comprises the consolidated statement of financial position of MTR Corporation Limited as of 30 June 2022 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 2022 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

11 August 2022

INFORMATION FOR OUR INVESTORS

FINANCIAL CALENDAR 2022

Announcement of 2021 annual results	10 March
Annual General Meeting	25 May
Ex-dividend date for 2021 final dividend	27 May
Book closure period for 2021 final dividend	31 May to 6 June (both dates inclusive)
2021 final dividend payment date	19 July
Announcement of 2022 interim results	11 August
Ex-dividend date for 2022 interim dividend	24 August
Book closure period for 2022 interim dividend	26 August to 31 August (both dates inclusive)
2022 interim dividend payment date	14 October
Financial year end	31 December

SHARE INFORMATION

Stock Codes

Ordinary Shares

The Stock Exchange of Hong Kong	66
Reuters	0066.HK
Bloomberg	66 HK Equity

CONTACTS

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:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

Telephone: (852) 2862 8628
Facsimile: (852) 2529 6087

Shareholder Enquiries

Shareholders are, at any time, welcome to raise questions and request information (to the extent it is publicly available) from the Board and management by writing to the Company Secretary, MTR Corporation Limited, MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong. Any such letter from the Shareholders should be marked "Shareholders' Communications" on the envelope.

Our enquiry hotline is operational during normal office hours:
Telephone: (852) 2881 8888

Investor Relations

For enquiries from institutional investors and securities analysts, please contact:

Investor Relations Department, MTR Corporation Limited
MTR Headquarters Building, Telford Plaza, Kowloon Bay,
Kowloon, Hong Kong

Email: investor@mtr.com.hk

Principal Place of Business and Registered Office

MTR Corporation Limited, incorporated and domiciled in Hong Kong.
MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon,
Hong Kong
Telephone: (852) 2993 2111
Facsimile: (852) 2798 8822

Concept & Design: YELLOW CREATIVE (HK) LIMITED   Printed by Magnum Offset Printing Co., Ltd.

MTR Corporation Limited
MTR Headquarters Building, Telford Plaza
Kowloon Bay, Kowloon, Hong Kong
GPO Box 9916, Hong Kong
Telephone : (852) 2993 2111
Facsimile : (852) 2798 8822
www.mtr.com.hk

MIX
Paper from responsible sources
FSC™ C174551

PRINTED WITH SOY INK™