MTR CORPORATION LIMITED
香港鐵路有限公司

(the "Company")
(Incorporated in Hong Kong with limited liability)
(Stock Code: 66)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS

HK$ million	Six months ended 30 June **2022**	2021	Favourable / (unfavourable) change
Total Revenue	**23,033**	22,317	3.2%
(Loss) / profit from recurrent businesses	**(678)**	912	n/m
Profit from property development	**7,786**	3,081	152.7%
Loss from fair value measurement of investment properties	**(2,376)**	(1,320)	(80.0)%
Net profit attributable to shareholders of the Company	**4,732**	2,673	77.0%

n/m : not meaningful

- Excluding the impairment provision of HK$962 million made in respect of Shenzhen Metro Line 4 ("SZL4"), recurrent profit would have decreased by 68.9% and net profit increased by 113.0%
- The Board stated the interim dividend to represent around one-third of the total annual dividends in last annual report and accordingly, interim ordinary dividend of HK$0.42 per share is declared (with scrip dividend alternative)

HIGHLIGHTS

Hong Kong Businesses

- Hong Kong transport operations, station commercial and property rental businesses have been adversely affected by the fifth wave of the pandemic. Patronage of Hong Kong Transport Services in February and March 2022 reduced to the lowest level since the outbreak of COVID-19. Gradual recovery was seen in May and June 2022 when social-distancing measures were partially relaxed
- Train service delivery and passenger journeys on-time in heavy rail maintained at 99.9% world-class level
- East Rail Line Cross-Harbour Extension opened in May 2022, increasing both options and convenience to our passengers commuting between the north and the south
- Hong Kong property development profit of HK$7.7 billion mainly derived from LP10 (LOHAS Park Package 10), SOUTHLAND (THE SOUTHSIDE Package 1) and La Marina (THE SOUTHSIDE Package 2). Pak Shing Kok Ventilation Building and Tung Chung Traction Substation property projects were tendered out in April and July 2022 respectively

HIGHLIGHTS *(continued)*

Mainland China and International Businesses

- Central Operating Section of the Elizabeth line commenced service in May 2022, transforming travel across London and the South East
- Took over Upptåget lines as part of Mälartåg regional traffic in June 2022
- An impairment provision of HK$962 million has been made for SZL4 resulting from no fare increase situation as disclosed in previous years

Corporate Strategy and Outlook

- In February 2022, the Board approved a set of key performance indicators on three key areas: Greenhouse Gas Emissions Reduction, Social Inclusion, and Advancement and Opportunities. 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
- The development of COVID-19 pandemic and the global economic conditions will remain highly uncertain in second half
- Continue to progress various railway projects under RDS 2014 and prepare for the projects under Government's Northern Metropolis Development Strategy
- Booking of Tai Wai shopping mall in the second half is dependent on construction progress. Subject to market conditions, we anticipate tendering out 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) in the coming 12 months or so

The Directors of the Company announce the unaudited interim results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2022 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Six months ended 30 June	
HK$ million	**2022 (Unaudited)**	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	**13,150**	12,050
Revenue from other businesses	**142**	224
	22,895	22,285
Revenue from Mainland China property development	**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)

HK$ million	Six months ended 30 June **2022** **(Unaudited)**	 2021 (Unaudited)
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	**(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	**(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	**9,277**	3,654
Loss from fair value measurement of investment properties	**(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	**(962)**	-
Variable annual payment	**(198)**	(211)
Share of profit of associates and joint ventures	**490**	530
Profit before interest, finance charges and taxation	**7,127**	3,962
Interest and finance charges	**(458)**	(445)
Profit before taxation	**6,669**	3,517
Income tax	**(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

HK$ million	Six months ended 30 June **2022** **(Unaudited)**	 2021 (Unaudited)
(Loss) / profit for the period attributable to shareholders of the Company:		
- 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:		
- Basic	**HK$0.76**	HK$0.43
- Diluted	**HK$0.76**	HK$0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	**Six months ended 30 June 2022 (Unaudited)**	2021 (Unaudited)
Profit for the period	**4,928**	2,782
Other comprehensive (loss)/income for the period (after taxation and reclassification adjustments):		
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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021 (Audited)
Assets		
Fixed assets		
- Investment properties	**82,492**	84,801
- Other property, plant and equipment	**101,311**	101,517
- Service concession assets	**33,988**	34,714
	217,791	221,032
Goodwill and property management rights	**62**	69
Property development in progress	**10,605**	11,215
Deferred expenditure	**2,343**	1,964
Interests in associates and joint ventures	**12,504**	12,442
Deferred tax assets	**669**	599
Investments in securities	**1,470**	1,479
Properties held for sale	**1,133**	639
Derivative financial assets	**619**	363
Stores and spares	**2,299**	2,129
Debtors and other receivables	**10,774**	14,797
Amounts due from related parties	**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	**40,390**	40,077
Current taxation	**3,517**	2,381
Amounts due to related parties	**5,518**	479
Loans and other obligations	**37,389**	42,102
Obligations under service concession	**10,181**	10,231
Derivative financial liabilities	**938**	561
Loans from holders of non-controlling interests	**142**	146
Deferred tax liabilities	**14,392**	14,418
	114,366	112,045
Net assets	**177,928**	180,037
Capital and reserves		
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

Notes:

1. REVIEW OF INTERIM FINANCIAL REPORT

The interim results set out in this preliminary announcement do not constitute the Group's interim financial report for the six months ended 30 June 2022 but are extracted from that interim financial report.

The interim financial report for the six months ended 30 June 2022 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"). The unmodified review report of KPMG is included in the interim report to be sent to shareholders. The interim financial report has also been reviewed by the Company's Audit & Risk Committee.

2. BASIS OF PREPARATION

This preliminary announcement of the Company's interim results 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.

The financial information relating to the financial year ended 31 December 2021 that is included in this preliminary announcement of the interim results 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 the accounts for the year ended 31 December 2021. 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 2022 unaudited interim results should be read in conjunction with the 2021 annual accounts.

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. None of these have had a material effect on the Group's results and financial position for the current or prior periods have been prepared or presented in the 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 the interim financial report are the same as those adopted in the preparation of the 2021 annual accounts.

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

3. RETAINED PROFITS

The movements of the retained profits during the six months ended 30 June 2022 and the year ended 31 December 2021 are as follows:

HK$ million	
Balance as at 1 January 2022	**115,439**
Profit for the period attributable to shareholders of the Company	**4,732**
Vesting and forfeiture of award shares of Executive Share Incentive Scheme	**(4)**
Dividend proposed and approved	**(6,317)**
Balance as at 30 June 2022	**113,850**

HK$ million	
Balance as at 1 January 2021	113,243
Profit for the year attributable to shareholders of the Company	9,552
Other comprehensive income arising from remeasurement of net asset/liability of defined benefit schemes	253
Vesting and forfeiture of award shares of Executive Share Incentive Scheme	(3)
Dividends declared and approved, net of scrip dividend for shares held for Executive Share Incentive Scheme	(7,606)
Balance as at 31 December 2021	115,439

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:

	Six months ended 30 June	
HK$ million	**2022**	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:

	Six months ended 30 June	
HK$ million	**2022**	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. INCOME TAX

Income tax in the consolidated profit and loss account represents:

HK$ million	Six months ended 30 June 2022	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

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.

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 the interim results announcement, the date of hearing before the Board of Review is yet to be fixed.

7. DIVIDEND

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

	Six months ended 30 June	
HK$ million	**2022**	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 Board has resolved to pay an interim dividend of HK$0.42 per share and offer a scrip dividend option to all shareholders of the Company (except for those with registered addresses in New Zealand or the United States of America or any of its territories or possessions). The interim dividend, with a scrip dividend option, is expected to be distributed on 14 October 2022 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 31 August 2022.

8. 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 during the period amounting to 6,188,084,292 (2021: 6,176,853,529).

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 during the period after adjusting for the dilutive effect of the Company's Executive Share Incentive Scheme amounting to 6,193,871,505 (2021: after adjusting for the dilutive effect of the Company's share option scheme and Executive Share Incentive Scheme amounting to 6,182,596,177).

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).

9. 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), 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 services 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" or "Government").

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

HK$ million	Revenue Six months ended 30 June **2022**	2021	Contribution to profit/(loss) Six months ended 30 June **2022**	2021
Hong Kong transport services				
- Hong Kong transport operations	**5,815**	6,004	**(2,775)**	(2,285)
- Hong Kong station commercial businesses	**1,481**	1,496	**1,098**	1,145
	7,296	7,500	**(1,677)**	(1,140)
Hong Kong property rental and management businesses	**2,307**	2,511	**1,865**	2,067
Mainland China and international railway, property rental and management businesses	**13,150**	12,050	**(171)**	445
Mainland China property development	**138**	32	**49**	7
Other businesses	**142**	224	**(144)**	(125)
	23,033	22,317	**(78)**	1,254
Hong Kong property development			**9,277**	3,654
Project study and business development expenses			**(173)**	(169)
Loss from fair value measurement of investment properties			**(2,389)**	(1,307)
Share of profit of associates and joint ventures			**490**	530
Profit before interest, finance charges and taxation			**7,127**	3,962
Interest and finance charges			**(458)**	(445)
Income tax			**(1,741)**	(735)
Profit for the period			**4,928**	2,782

Profit attributable to shareholders of the Company arising from property development for the six months ended 30 June 2022 of HK$7,786 million (2021: HK$3,081 million) represents Hong Kong property development profit of HK$9,277 million (2021: HK$3,654 million), Mainland China property development profit of HK$49 million (2021: HK$7 million) and net of the related interest, finance charges and income taxes of HK$1,540 million (2021: HK$580 million).

Loss attributable to shareholders of the Company arising from fair value measurement of investment properties for the six months ended 30 June 2022 of HK$2,376 million (2021: HK$1,320 million) represents loss from fair value measurement of investment properties of HK$2,389 million (2021: HK$1,307 million) and net of related income tax credit of HK$13 million (2021: related income tax expenses of HK$13 million).

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.

HK$ million	Six months ended 30 June **2022**	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

10. OTHER PROPERTY, PLANT AND EQUIPMENT AND SERVICE CONCESSION ASSETS

A 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.

B Shenzhen Metro Line 4 ("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.

11. 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 11A(c)(iv) below), up to the date of the 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 11A(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 11A(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;

(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 11A(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 11A(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 the 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

(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 11B(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 11B(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 11B(c)(iii) below) and any Additional PMC for the Company as further detailed in note 11B(b)(ii) below.

(ii) *Additional PMC*

As detailed in note 11B(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 11B(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.

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 11B(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.

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 11B(c)(i) above), up to the date of the 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.

12. DEBTORS AND CREDITORS

A As at 30 June 2022, the Group's debtors and other receivables amounted to HK$10,774 million (31 December 2021: HK$14,797 million), of which debtors accounted for HK$3,719 million (31 December 2021: HK$4,297 million). Receivables in respect of rentals, advertising and telecommunication activities are due from immediately to 60 days. Receivables in respect of income from railway subsidiaries outside of Hong Kong are mainly due within 30 days or in the following month. Receivables relating to consultancy services and entrustment works are due within 30 days. Receivables under interest rate and currency swap agreements are due in accordance with the terms of the agreements. Receivables relating to property development are due in accordance with the terms of the relevant development agreements or sale and purchase agreements. The ageing of debtors by due dates as at 30 June 2022 is analysed as follows:

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

B As at 30 June 2022, creditors, other payables and provisions amounted to HK$40,390 million (31 December 2021: HK$40,077 million), of which creditors and accrued charges amounted to HK$21,851 million (31 December 2021: HK$18,620 million). As at 30 June 2022, the analysis of creditors by due dates is as follows:

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**	-
	21,851	18,620

13. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company redeemed its RMB1.15 billion (HK$1.35 billion) and RMB200 million (HK$234 million) bonds at par on 18 March 2022 and 19 April 2022 respectively. The bonds were listed on The Stock Exchange of Hong Kong Limited prior to the 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 Hong Kong Stock Exchange a total of 2,560,000 Ordinary Shares of the Company for a total consideration of approximately HK$109 million during the six months ended 30 June 2022.

14. CHARGE ON GROUP ASSETS

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, none of the other assets of the Group was charged or subject to any encumbrance as at 30 June 2022.

15. CORPORATE GOVERNANCE

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.

16. PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.mtr.com.hk and the website of the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Interim Report will also be available at the Company's and the Stock Exchange's websites and will be despatched to shareholders of the Company in early September 2022.

KEY STATISTICS

	Six months ended 30 June 2022	2021
Total passenger boardings for Hong Kong transport operations (in millions)		
- Domestic Service	**570.5**	646.1
- Cross-boundary Service	**0.2**	0.2
- High Speed Rail (Hong Kong Section)	**-**	-
- Airport Express	**1.0**	1.0
- Light Rail and Bus	**77.7**	88.6
Average number of passengers (in thousands)		
- Domestic Service (weekday)	**3,392.5**	3,849.5
- Cross-boundary Service (daily)	**1.2**	1.3
- High Speed Rail (Hong Kong Section) (daily)	**-**	-
- Airport Express (daily)	**5.3**	5.4
- Light Rail and Bus (weekday)	**448.7**	510.4
EBITDA margin^		
- Including Mainland China and international subsidiaries	**16.0%**	17.6%
- Excluding Mainland China and international subsidiaries $^{\delta}$	**27.8%**	32.7%
EBIT margin*		
- Including Mainland China and international subsidiaries	**(1.1)%** #	4.9%
- Excluding Mainland China and international subsidiaries $^{\varphi}$	**(1.3)%**	6.2%

^ Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment as a percentage of total revenue

$^{\delta}$ 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

* Profit/(loss) before interest, finance charges and taxation (excluding Hong Kong property development profit from share of surplus and interest in unsold properties, loss from fair value measurement of investment properties and share of profit of associates and joint ventures) as a percentage of total revenue

Excluding the impairment loss of HK$962 million made in respect of SZL4, the EBIT margin would have been 3.1%

$^{\varphi}$ 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

MANAGEMENT REVIEW AND OUTLOOK

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 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.

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**	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 and Finance Charges 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 and finance charges 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

Hong Kong Transport Operations	Patronage *In million* Six months ended 30 June 2022	Inc./(Dec.) %	Revenue *HK$ million* Six months ended 30 June 2022	Inc./(Dec.) %
Domestic Service	**570.5**	(11.7)	**4,782**	(4.4)
Cross-boundary Service	**0.2**	(13.0)	**2**	-
High Speed Rail ("HSR")	**-**	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)

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.

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, providing passengers with features such as toilet availability digital displays, indoor air quality information and more. 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.

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 renewal 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 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.

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

Property Rental and Management

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 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.

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 after 2022.

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.

European Railway Business

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.

<u>Sweden</u>

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 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 Business

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 details.

Consolidated Profit and Loss

HK$ million	Six months ended 30 June 2022	2021	Favourable / (Unfavourable) Change 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**

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

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).

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 to 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 Shop 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 were 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 certain 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. On 20 May 2022, the Commissioner of Inland Revenue issued a determination to the Company disagreeing that the Sums are tax deductible. The Company lodged a notice of appeal to the Inland Revenue Board of Review on 16 June 2022. Further details are set out in Note 6 "Income Tax" above of this interim results announcement.

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 approximately 2.8% drop against the value as of 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.

Consolidated Cash Flow

	Six months ended 30 June	
HK$ million	**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.

Financing Activities

Inflation rate in the US, as measured by the Consumer Price Index, registered a four decade high of 9.1% in June. The US Federal Reserve also hastened the pace of interest rate hike, bringing the

Federal Funds Target Rate ("FFTR") to a range of 1.5%-1.75% p.a. 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 out some time in 2023.

Interest rates for both USD and HKD surged during the first half of 2022. 3-month USD Libor increased to 2.29% p.a. from 0.21% p.a. at the beginning of the year. Likewise, 3-month HKD Hibor increased to 1.75% p.a. from 0.26% p.a. The 10-year US Treasury yield also rose sharpy to 3.01% p.a. from 1.51% p.a., and 10-year Interest Rate Swap rate for HKD 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 cash and deposit balance of HK$26,433 million 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.

By Order of the Board
Dr Jacob Kam Chak-pui
Chief Executive Officer

Hong Kong, 11 August 2022

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 August 2022 to 31 August 2022 (both dates inclusive), during which time no transfers of shares in the Company will be 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).

As at the date of this announcement:

Members of the Board: Dr Rex Auyeung Pak-kuen *(Chairman)***, Dr Jacob Kam Chak-pui *(Chief Executive Officer)*, Andrew Clifford Winawer Brandler*, Dr Bunny Chan Chung-bun*, Walter Chan Kar-lok*, Dr Pamela Chan Wong Shui*, Dr Dorothy Chan Yuen Tak-fai*, Cheng Yan-kee*, Hui Siu-wai*, Sunny Lee Wai-kwong*, Dr Rose Lee Wai-mun*, Jimmy Ng Wing-ka*, Carlson Tong*, Adrian Wong Koon-man*, Johannes Zhou Yuan*, Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury)**, Secretary for Transport and Logistics (Lam Sai-hung)**, Permanent Secretary for Development (Works) (Ricky Lau Chun-kit)** and Commissioner for Transport (Rosanna Law Shuk-pui)**

Members of the Executive Directorate: Dr Jacob Kam Chak-pui, Adi Lau Tin-shing, Margaret Cheng Wai-ching, Linda Choy Siu-min, Carl Michael Devlin, Herbert Hui Leung-wah, Dr Tony Lee Kar-yun, Gillian Elizabeth Meller, David Tang Chi-fai and Jeny Yeung Mei-chun

* *independent non-executive Director*
** *non-executive Director*

This announcement is made in English and Chinese. In case of any inconsistency, the English version shall prevail.