Connecting The Future

Interim Report 2023

Stock code: 66

2023 INTERIM RESULTS FINANCIAL HIGHLIGHTS

Total Revenue	HK$27.6 billion ▲ 19.7%
Recurrent Business Profit	HK$2.4 billion (vs HK$0.7 billion^ recurrent business loss for the six months ended 30 June 2022)
Property Development Profit	HK$0.7 billion ▼ 90.6%
Gain from Fair Value Measurement of Investment Properties	HK$1.0 billion (vs HK$2.4 billion loss from fair value measurement for the six months ended 30 June 2022)
Net Profit Attributable to Shareholders of the Company	HK$4.2 billion ▼ 11.7%
Interim Ordinary Dividend	HK$0.42 per share (vs HK$0.42 per share of 2022 interim ordinary dividend)
Total Assets	HK$341.7 billion ▲ 4.5% (vs 31 December 2022)
Net Assets	HK$177.7 billion ▼ 1.3% (vs 31 December 2022)
Net Debt-to-equity Ratio	22.3 % ▼ 1.0% pt. (vs 31 December 2022)

^ *Including the impairment provision of HK$1.0 billion made in respect of Shenzhen Metro Line 4 for the six months ended 30 June 2022*

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Interim Report 2023

Sustainability Report 2022

OUR VISION

We aim to be an internationally-recognised company that connects and grows communities with caring, innovative and sustainable services.

OUR PURPOSE

Keep Cities Moving

OUR VALUES

- Excellent Service
- Value Creation
- Mutual Respect
- Enterprising Spirit

OUR CULTURAL FOCUS AREA

- Participative Communication
- Collaboration
- Effectiveness & Innovation
- Agility to Change

CORPORATE STRATEGY 3 STRATEGIC PILLARS

Hong Kong Core

Mainland China and International Business

New Growth Engine

OUR NETWORK

LEGEND

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

EXISTING NETWORK

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

PROJECTS IN PROGRESS

- Tung Chung Line Extension, Tung Chung East and Tung Chung West stations
- Airport Railway Extended Overrun Tunnel
- Oyster Bay Station

POTENTIAL FUTURE EXTENSIONS

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

PROPERTIES OWNED / DEVELOPED / MANAGED BY THE CORPORATION

01 Telford Gardens / Telford Plaza I and II
02 World-wide House
03 Admiralty Centre
04 Argyle Centre
05 Luk Yeung Sun Chuen / Luk Yeung Galleria
06 New Kwai Fong Gardens
07 Sun Kwai Hing Gardens
08 Fairmont House
09 Kornhill / Kornhill Gardens
10 Fortress Metro Tower
11 Hongway Garden / Infinitus Plaza
12 Perfect Mount Gardens
13 New Jade Garden
14 Southorn Garden
15 Heng Fa Chuen / Heng Fa Villa / Paradise Mall
16 Park Towers
17 Felicity Garden
18 Tierra Verde / Maritime Square 1 / Maritime Square 2
19 Tung Chung Crescent / Citygate / Novotel Citygate / Seaview Crescent / Coastal Skyline / Caribbean Coast
20 Central Park / Island Harbourview / Park Avenue / Harbour Green / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two
21 The Waterfront / Sorrento / The Harbourside / The Arch / Elements / The Cullinan / The Harbourview Place / W Hong Kong / International Commerce Centre / The Ritz-Carlton, Hong Kong
22 One International Finance Centre / Two International Finance Centre / IFC Mall / Four Seasons Hotel / Four Seasons Place
23 Central Heights / The Grandiose / The Wings / PopCorn 1 / PopCorn 2 / Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites
24 Residence Oasis / The Lane
25 No.8 Clear Water Bay Road / Choi Hung Park & Ride
26 Metro Town
27 Royal Ascot / Plaza Ascot
28 Ocean Walk
29 Sun Tuen Mun Centre / Sun Tuen Mun Shopping Centre
30 Hanford Garden / Hanford Plaza
31 Citylink Plaza
32 MTR Hung Hom Building / Hung Hom Station Carpark
33 Trackside Villas
34 The Capitol / Le Prestige / Hemera / Wings at Sea / MALIBU / LP6 / MONTARA / SEA TO SKY / MARINI / GRAND MONTARA / GRAND MARINI / OCEAN MARINI / LP10 / The LOHAS
35 The Palazzo
36 Lake Silver
37 Festival City
38 The Riverpark
39 Century Gateway
40 THE PAVILIA FARM I / THE PAVILIA FARM II / The Wai
42 The Austin / Grand Austin
43 SOUTHLAND / La Marina
45 Ocean Pride / Ocean Supreme / PARC CITY / THE PAVILIA BAY / City Point
46 Cullinan West
47 The Spectra / Sol City
48 The YOHO Hub

PROPERTY DEVELOPMENTS UNDER CONSTRUCTION / PLANNING

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

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

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

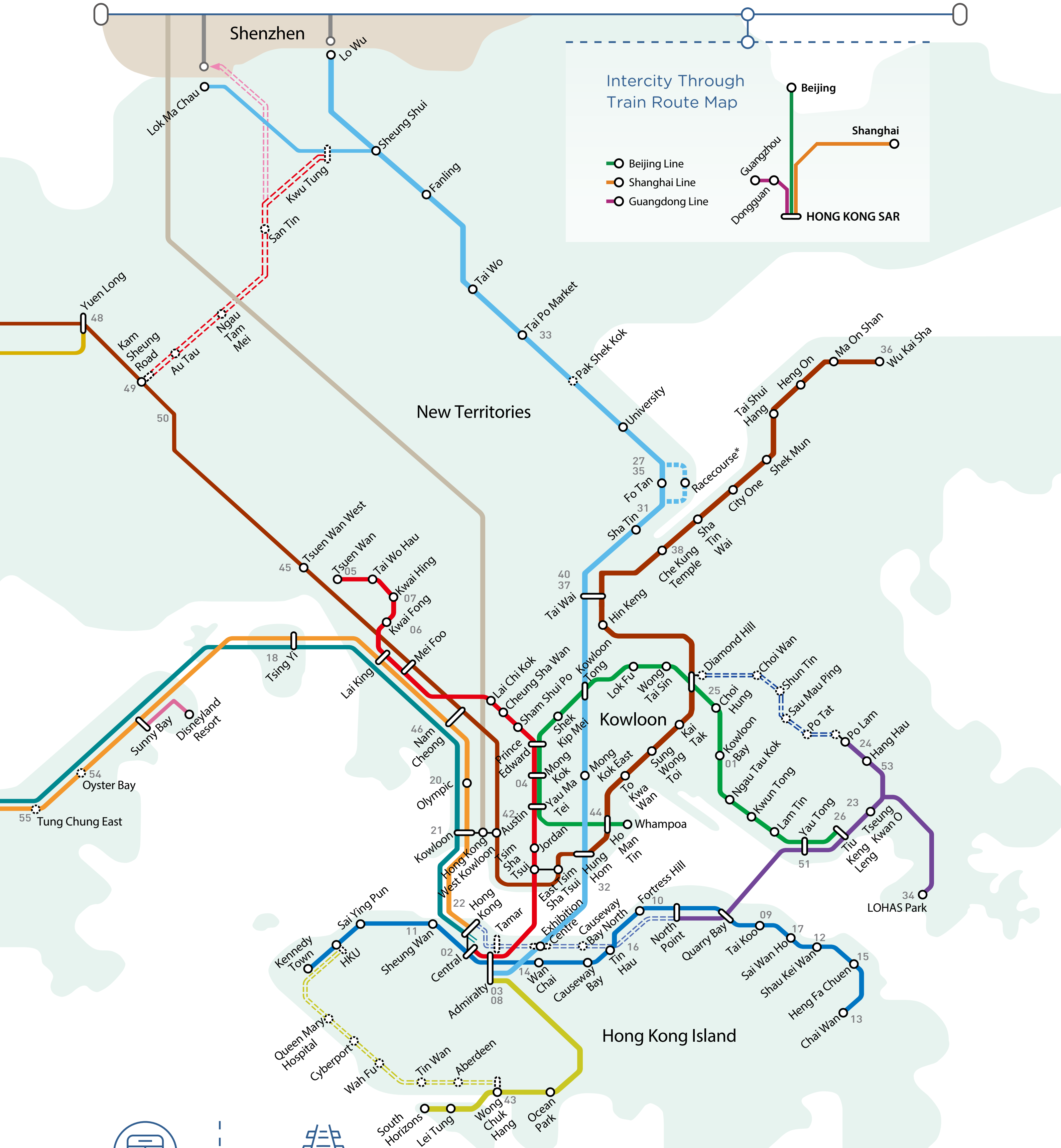
MAINLAND CHINA AND INTERNATIONAL BUSINESSES

MAINLAND CHINA AND MACAO

AUSTRALIA

EUROPE

HONG KONG OPERATING NETWORK WITH FUTURE EXTENSIONS



99 Stations

271 km Route Length

CHAIRMAN'S LETTER

Dear Shareholders and other Stakeholders,

By the very nature of its business, MTR Corporation Limited has been an integral part of Hong Kong over the past four decades. The Company provides world-class mass transit services that people rely on to commute to work, go to school, and visit family, friends and places. The Company's residential and retail properties have blossomed into vibrant hubs that bring communities closer together, and its railway infrastructure projects serve well in connecting different parts of Hong Kong and linking the city to its neighbours in the Greater Bay Area and Mainland China. Today, MTR is more than just a public transport company; it represents many intricately woven threads in the fabric of our society.

MTR and Hong Kong have endured difficult times together over the last few years. But in the post-COVID era, it feels like we have finally turned the corner and are picking up the pace in reshaping a more promising future. At the time of writing, the city is enjoying a gradual economic recovery and improved consumer sentiment on the back of unfettered travel, normalised business operations and renewed commercial links. At MTR, we welcomed the return of our Cross-boundary, High Speed Rail and related businesses. Patronage is up across the board, and we are also progressing various capital works and property development projects that will benefit our stakeholders and shareholders while creating sturdy new frameworks for future economic development.

MTR's mission is to Keep Cities Moving with environmentally friendly rail transit services that are safe, reliable, affordable and accessible. I am proud of the work we have done in recent years in maintaining world-class service delivery despite all the challenges Hong Kong and other major cities around the world have faced. Of course, we are not out of the woods yet. Geopolitical issues and the threat of global economic recession could result in supply chain pressures; meanwhile, inflation remains high and interest rates are on the rise. Still, we stand ready to serve our millions of daily passengers in Hong Kong as well as Mainland China, Macao, Europe and Australia with the same level of excellence they have come to expect.

BUSINESS PERFORMANCE AND GROWTH

In March 2023, we announced the outcome of the Fare Adjustment Mechanism review that was jointly conducted with Government. We believe the resulting agreement provides a healthy balance between meeting the public's need for affordable fares and ensuring a level of financial sustainability for the Company that allows it to continue maintaining, upgrading and renewing its railway assets for optimal safety and reliability.

Over the first six months of 2023, and together with the contributions from new lines, our Domestic Service in Hong Kong saw a gradual recovery in patronage, reaching more than 90% of the pre-pandemic level. To elevate our railway asset management to an even higher standard, more than HK$65 billion will be invested in railway asset maintenance and renewal over the next five years.

In May, we held the ground-breaking ceremony for the Tung Chung Line Extension. This is the first project under Railway Development Strategy 2014 where we have entered into a Project Agreement with Government and commenced construction. The Company supports Government's strategy of making railways the backbone of Hong Kong public transport and always stands ready to "Go Beyond Boundaries" to help facilitate the city's long-term sustainable development, expanding and enhancing the local railway network to drive economic growth, create employment opportunities and build thriving communities around rail stations.

The first half of 2023 was also a successful period for our property business. In July, we held the soft opening of The Wai, our new shopping mall in Tai Wai which, together with THE SOUTHSIDE mall in Wong Chuk Hang – a property we expect to open in phases starting from the fourth quarter of the year – will add roughly 30% to the attributable GFA of MTR's existing retail portfolio. We also continued to progress the construction of 14 residential property developments, which together will provide about 16,000 units to the Hong Kong's housing market.

Our Mainland China and international businesses collectively represent one of the three main growth pillars under our Corporate Strategy, and we are always on the lookout for good opportunities to export our brand and know-how and contribute to the development of railway networks and communities outside our home market of Hong Kong. During the period, we were pleased to have our concessions for the metropolitan rail services in Melbourne, Australia, and the South Western Railway in the UK extended.

Our Corporate Strategy also emphasises leveraging innovation and technology to enhance our railway assets, improve customer service and deliver business performance. In June 2023, MTR was honoured to be a joint winner of a prestigious UITP (International Association of Public Transport) Award in the "Technological Innovation" category for its "Go Smart Go Beyond" campaign to design smart, sustainable and inclusive passenger journeys. We also received Special Recognition for the design of the Admiralty Station Extension of the East Rail Line cross-harbour extension project. These awards were presented in Barcelona during the UITP Global Public Transport Summit, the world's foremost gathering of public transport authorities, operators and industry suppliers. As a global leader in railway transit, MTR constantly seeks to identify and incorporate technological innovations that can improve the Company and its operations, and recognitions such as these validate our efforts to "Go Smart Go Beyond" for the benefit of our stakeholders and shareholders.

FINANCIAL PERFORMANCE

Rising domestic patronage and the phased reopening of rail links with Mainland China following the lifting of anti-pandemic travel restrictions led to an overall increase in fare revenue in the first half of 2023. As a result, profit attributable to equity shareholders from recurrent businesses increased to HK$2,420 million. Together with property development profit of HK$732 million, profit arising from underlying businesses was HK$3,152 million, 55.7% lower than the first half of last year. Including the gain arising from fair value measurement of investment properties of HK$1,026 million, net profit attributable to shareholders of the Company decreased by 11.7% year on year to HK$4,178 million, representing earnings per share of HK$0.67. Your Board has declared an interim dividend of HK$0.42 per share, same as the first six months of 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Millions of people in Hong Kong, Mainland China, Australia and Europe interact with MTR each day. As one of the world's largest operators of low-carbon mass transit, our organisation must lead by example to practise and promote environmental sustainability, accessibility and inclusivity while contributing to the well-being of the diverse geographic areas we serve. This year, we expanded the pursuit of our three primary environmental and social objectives – Greenhouse Gas ("GHG") Emissions Reduction, Social Inclusion, and Advancement & Opportunities – by setting 44 key performance indicators across 10 focus areas. More details about our environmental and social initiatives and performance can be found in our annual Sustainability Report. During the period, we also continued to strive for the highest standards of corporate governance to ensure that our business activities are conducted ethically and transparently for the benefit of shareholders and stakeholders.

Reducing Greenhouse Gas Emissions

We recently carried out an in-depth study on carbon reduction to determine carbon reduction targets for 2030 for our Hong Kong railway and property businesses in support of our longer-term goal to achieve carbon neutrality by 2050. In June 2023, we announced that these targets have been approved by the Science Based Targets initiative ("SBTi"), the international agency that defines and promotes best practices in setting science-based targets for combatting climate change. Under the SBTi-approved reduction targets, scope 1, 2 and 3 well-to-wheel (i.e., both upstream and downstream emissions from the use of electricity) GHG emissions from MTR's rail transport activities are to be reduced by 46.2% per passenger kilometre while scope 1 and 2 GHG emissions from the Company's investment properties are to be reduced by 58.6% per square metre of floor area by 2030, using 2019 as the base year for comparison. MTR has also pledged to reduce its absolute scope 3 GHG emissions – those that are not directly controlled by the Company, but which are a consequence of its activities – by 13.5% within the same timeframe. With this decarbonisation roadmap now in place, we plan to expand our green initiatives and GHG reduction efforts in order to meet these ambitious but attainable targets.

Asset renewal is an important part of MTR's commitment to provide quality passenger journeys. For trains that have been decommissioned during this process, we seek either to dispose of them in an environmentally friendly manner, or cooperate with partners to preserve and revitalise carriages and components for other uses under the "Legacy Train Revitalisation Programme". Since the launch of this programme in 2021, MTR has worked with over 20 NGOs, social partners and Government departments to repurpose more than 400 decommissioned train parts.

In our focus area of Low-carbon Design, we attained BEAM Plus Provisional Gold accreditation for the Tung Chung East and Tung Chung West stations of the Tung Chung Line Extension project. In the first half of this year, we also arranged the equivalent of approximately HK$930 million in green finance under our Sustainable Finance Framework for projects designed to conserve energy, protect the environment, and enhance and expand our low-carbon railway services.

Promoting Social Inclusion

One of MTR's most important objectives is to ensure that we look after the transport and accessibility needs of everyone, including Hong Kong's rapidly growing senior population. In the first half of 2023, we promoted Universal Basic Mobility through our "MTR • Care" mobile app, which has a clear, user-friendly interface to assist elderly customers and those with special needs. A simplified version of Trip Planner and an In-Station Navigation function for Exhibition Centre Station for the visually impaired help users make their journeys with ease and confidence. To help locate missing persons with dementia, we have also launched the "Caring for Dementia" Programme, which includes initiatives carried out in collaboration with the Jockey Club Centre for Positive Ageing and the Police.

In our focus area of Diversity & Inclusion, we launched our 2023 Gender Equity Network on International Women's Day in March. The network was established as a safe space for discussions on gender issues and to promote equal opportunities in the workplace. The event included a panel discussion with industry practitioners and Artificial Intelligence on best practices for achieving gender equity in the workplace. In June, the Company also co-hosted a cross-company networking event to celebrate International Women in Engineering Day and explore the impact of unconscious biases in the workplace.

During the period under review, the Company once again collaborated with non-profit organisations and social enterprises to co-create impactful initiatives. In June, the Company partnered with the True Colors Symphony and The Zubin Foundation to host the "Multicultural Green Music Show" in Maritime Square. The Company also rented out a station shop space to The Zubin Foundation at a nominal rate to help them support ethnically diverse groups of women and children.

MTR colleagues continued to demonstrate the Company's spirit of social service through the "More Time Reaching Community" Scheme. Over the first half of 2023, a headcount of 2,299 participating volunteers got involved in 110 volunteering projects.

The Company also continued to promote arts appreciation through its "Art in MTR" initiative. Using our railway network to bring art to the community, we partnered with AllRightsReserved to share the joy of Dutch artist Florentijn Hofman's Gigantic Rubber Duck, transforming Admiralty Station into a "Double Ducks-Themed Station" and decorating 23 other stations in a similar fashion. We also relaunched the "Living Art Stage" at Hong Kong Station, which is once again hosting arts and cultural performances to enliven passengers' journeys every Friday evening.

Fostering Advancement & Opportunities

In a highly competitive job market, we strive to equip our people with the resources and skills they need to achieve work-life balance and further their career development. This year, Human Resources Online recognised our efforts to foster a culture of continuous learning and develop staff with four Employee Experience Awards. These accolades honour companies that take the lead in advancing the workplaces of the future by demonstrating adaptability, innovation and creativity in staff development.

We are also highly focused on promoting future skills and innovation among our colleagues to further their professional growth and support the development of the Company's New Growth Engine pillar. In March, we collaborated with Hong Kong Science & Technology Parks to host a three-day innovation programme called "InnoTechX 2023", the first Company-wide innovation-focused event. More than 1,100 local and overseas participants joined the event, which featured demonstrations of innovation solutions by nearly 30 start-ups and workshops. MTR Academy also launched the MTR Research Funding Scheme to contribute towards the holistic development of rail transport in Hong Kong and across the Greater Bay Area.

Governance

Strong corporate governance is the foundation upon which shareholder and stakeholder trust is built. We strive to achieve the highest governance standards, and we regularly review our practices to ensure that they meet or exceed international benchmarks. I am particularly proud to note that in May 2023, the Company achieved its gender diversity target of having 25% female membership on the Board, well ahead of the target date of 2025.

ACKNOWLEDGEMENTS AND APPRECIATION

I would like to take this opportunity to thank Dr Pamela Chan Wong Shui and Mr Johannes Zhou Yuan, who retired from the Board as Independent Non-executive Directors ("INEDs") effective 24 May 2023, for their contributions to the Company during their tenures. I would also like to welcome Ms Sandy Wong Hang-yee and Professor Anna Wong Wai-kwan, who joined the Board as INEDs on 24 May 2023. In addition, as announced by Government on 7 July 2023, Ms Angela Lee Chung-yan will take up the post of the Commissioner for Transport with effect from 28 August 2023, and by virtue of holding such post, will become a Non-executive Director of the Company ("NED"). Miss Rosanna Law Shuk-pui will cease to hold the post of the Commissioner of Transport on 15 August 2023 and, accordingly, will cease to be a NED. I would like to welcome Ms Lee to join the Board, and thank Miss Law for her valuable contributions to the Board and the Company during her tenure.

MTR Corporation will celebrate its 45th anniversary next year. I have every confidence that with the support of my committed and talented colleagues and the goodwill of the people of Hong Kong, we will be able to continue capitalising on the opportunities in front of us and Keep Cities Moving towards a promising future.

Rex Auyeung

Dr Rex Auyeung Pak-kuen
Chairman
Hong Kong, 10 August 2023

CEO'S REVIEW
OF OPERATIONS AND OUTLOOK

Dear Shareholders and other Stakeholders,

The first half of 2023 marked a period of transition and new promise. The removal of anti-pandemic restrictions and phased reopening of links with Mainland China spurred a rebound in patronage and provided a jump-start for MTR's cross-boundary, High Speed Rail ("HSR") and Duty Free businesses. We renewed the Fare Adjustment Mechanism ("FAM") with Government with certain new arrangements that will continue to ensure affordable fares for passengers while preserving the mechanism's objectivity, transparency and direct-drive formula. The FAM after review will also enable the Company to continue maintaining, upgrading and renewing its existing railway system and embarking upon new projects that will spur the growth of communities both old and new. Although patronage has yet to return fully to pre-pandemic levels, and external factors such as high inflation and rising interest rates continue to loom, we feel cautiously optimistic that the groundwork we have laid over the past few years – particularly as it relates to the implementation of our Corporate Strategy to create a better, more fit-for-future organisation – will give us a strong foundation upon which to build over the medium to long term.

BUSINESS PERFORMANCE AND GROWTH

One of the major milestones of the period was successfully concluding the FAM review with Government. Following the review, it was determined that the current direct-drive FAM formula will be retained for the upcoming five-year cycle (from 2023/2024 to 2027/2028) to provide a stable source of recurrent revenue for the maintenance, upgrading and renewal of railway assets. This will not only ensure that the community will continue to enjoy safe, reliable, efficient and high-quality railway services, but also maintain the financial sustainability of the Company to pursue new railway projects. Initiatives that have been implemented to reduce the fare increase adjustments include linking fare adjustments to the Company's property development profit and enhancing the service performance rebate with a new "Thank You Day" arrangement.

Patronage in Hong Kong gradually recovered over the first half of 2023. Together with the contribution from new lines, our Domestic Service patronage reached more than 90% of pre-pandemic levels. Considering the millions of passengers we serve every day, we are proud to have achieved excellent service reliability in Hong Kong once again, attaining 99.9% for both train service delivery and passenger journeys on-time.

Innovation and technology are playing increasingly important roles in our operations, and they are also vital to our efforts to develop "Smart Railways" and enhance the customer experience. More than HK$65 billion will be invested in railway asset maintenance and renewal over the next five years. We continued to "Go Smart Go Beyond" by launching a HK$1.3 billion programme to upgrade the Automatic Fare Collection system, which will feature new gates that support more e-payment options and have wider walkways. We also enhanced the MTR Mobile app by providing more information on train schedules and accessibility.

In our property businesses, we were thrilled to open our new 60,620-square-metre shopping mall at Tai Wai Station, The Wai. The Wai hosts more than 150 retail tenants providing dining, entertainment and other services for the community. Together with the 47,000-square-metre THE SOUTHSIDE at Wong Chuk Hang Station, which is expected to open in phases starting from the fourth quarter of the year, these new malls will expand our retail portfolio by approximately 30% in attributable GFA.

MTR is committed to Hong Kong and supports Government's development and housing supply strategies. We are forging ahead with determination and focus on the development of Oyster Bay, located on the Tung Chung Line, building a new community that will offer approximately 10,720 private residential units, all seamlessly connected by environmentally friendly rail transport. We also continued to progress the construction of 14 other residential property developments, which together will add about 16,000 more much-needed units to Hong Kong's housing supply.

Last year, MTR completed the Shatin to Central Link, marking the conclusion of an important era in the expansion of Hong Kong's railways. This February, we turned the page to an exciting new chapter by signing the Project Agreement with Government for the Tung Chung Line Extension, a major part of the Railway Development Strategy 2014 ("RDS 2014") blueprint for the city's railway transport infrastructure of the future. The Tung Chung Line Extension will serve new towns in the Tung Chung East new reclamation area and Tung Chung West, in turn enhancing the connectivity of Lantau North, supporting sustainable long-term population growth and boosting employment opportunities. Works on the extension commenced in May this year, and completion is scheduled for 2029. The Tung Chung Line Extension is an example of MTR and Government's shared goal to make rail transit the backbone of public transport by building thriving communities around railway stations. MTR also continues to work with Government on progressing several other RDS 2014 projects that will further connect communities across the city, including the Tuen Mun South Extension and Kwu Tung Station on the East Rail Line, the project agreements for which are at advanced stages of negotiation with Government. Construction on these projects is expected to commence later this year. Guided by our vision to "Go Beyond Boundaries" for our new railway projects, we will continue to support Government by implementing these and a number of other new railway extension projects that will enhance transportation capacity, unleash development potential, and foster connections between Hong Kong and the Greater Bay Area.

We continue to seek opportunities in Mainland China and overseas that can both grow our business and build the MTR brand internationally. In March 2023, the concession for the metropolitan train service in Melbourne, Australia, was granted an 18-month extension until mid-2026. The National Rail Contract for the South Western Railway in the United Kingdom has also been extended by two years till May 2025. Elsewhere, we once again achieved stable operations in many other important markets across Mainland China, Macao, Europe and Australia.

As a mass transit railway service operator, we are dedicated to fighting climate change by making every effort to minimise our greenhouse gas ("GHG") emissions. We are pleased to announce that the Science Based Targets initiative ("SBTi") recently approved our targets for reducing GHG emissions by 2030, providing valuable support as we work towards our long-term goal of achieving carbon neutrality by 2050.

FINANCIAL PERFORMANCE

Profit attributable to equity shareholders from recurrent businesses was HK$2,420 million in the first half of 2023 compared with HK$284 million in the first half of 2022 before the HK$962 million impairment provision made in respect of Shenzhen Metro Line 4. The improvement was largely due to higher patronage resulting from the relaxation and removal of anti-pandemic measures as well as the gradual recovery of the Company's Cross-boundary and Duty Free businesses following the phased reopening of rail links with Mainland China. Property development profit for the period decreased by 90.6% to HK$732 million, resulting in a decrease of 55.7% to HK$3,152 million in profit arising from underlying businesses. Including the gain arising from fair value measurement of investment properties (a non-cash accounting item) of HK$1,026 million, net profit attributable to shareholders of the Company decreased by 11.7% to HK$4,178 million, representing earnings per share of HK$0.67.

Your Board has declared an interim dividend of HK$0.42 per share, same as that of last year.

OUTLOOK

MTR's mission is to Keep Cities Moving with safe, reliable and inclusive low-carbon services. In this spirit, we are excited to help launch the next phase of Hong Kong's railway network development by commencing works on the Tung Chung Line Extension, a project that will connect communities across northern Lantau Island and help drive economic and job growth in these burgeoning areas. The Tung Chung Line Extension is the first RDS 2014 project to advance to the Project Agreement stage, and we look forward to participating in these and other future railway infrastructure works – including initiatives planned under Government's Northern Metropolis Development Strategy – as we seek to drive economic recovery in our home market as well as the Company's future business growth.

Since the lifting of anti-pandemic measures, MTR's Domestic Service has rebounded and is approaching pre-COVID patronage levels. The resumptions of Cross-boundary Service and HSR have also allowed our Duty Free business to resume and begin contributing to our financial performance once again. These revenue streams are very important to our recurrent business, and we are working hard to build them back to full strength as far as the economic recovery allows. We continue to face challenges in regard to station retail and property rental revenues due to negative rental reversions in the first half of this year. The openings of our new shopping malls, The Wai and THE SOUTHSIDE, are expected to make incremental contributions to property rental revenue. Advertising revenue remains dependent on the extent of the economic recovery and improvement in consumer sentiment and spending.

Employing the latest innovations and technologies is central to MTR's corporate strategy and business development. As part of our plan to employ smart railway operations and maintenance systems and develop smart customer services, we will not only invest more than HK$65 billion in railway asset maintenance and renewal over the next five years, but also implement further initiatives such as launching a digitised asset management system and setting up joint technology development with several research institutions. We will also keep rolling out smart asset management initiatives to optimise train safety and reliability, utilising artificial intelligence, cloud computing, big data and image processing technologies.

The pandemic has mostly subsided, but we are keeping a close eye on other macroeconomic factors that could still impact our operations. Although global inflation is falling, the rate of decrease is slow, and prices remain high compared to past levels. To contend with this, we will continue to exercise prudent cost controls and ensure efficient operations. Meanwhile, interest rates could potentially rise and remain at high levels for some time, potentially impacting the valuation of our investment property portfolio. Elsewhere, we must continue to monitor our supply chains closely for any possible disruptions that could affect our various projects.

In our property business, we plan to tender out about 4,000 units in the next 12 months or so, subject to market conditions. Tung Chung East Station Package 1 is expected to be the first tender to be put to the market. Other projects are under preparation including technical studies, land grant and statutory procedures and will be launched subject to market conditions. Applications for pre-sale consent are underway for THE SOUTHSIDE Package 3, LOHAS Park Package 12 and Package 13, Tin Wing Stop, Ho Man Tin Station Package 1, and the Yau Tong Ventilation Building. Recently, we have noted that more property buyers are opting for instalment payment terms (instead of equitable mortgage), which will delay the timing of profit recognition for our property development projects. Subject to the progress of construction and sales, and depending on the payment terms chosen by property buyers, we expect to continue booking profit from LOHAS Park Package 11 in the second half of 2023. However, given the current progress of construction and sales, we do not expect to book profit from THE SOUTHSIDE Package 4 or Ho Man Tin Station Package 2 in 2023.

Outside of Hong Kong, we continue to seek opportunities in Mainland China and overseas and in strengthening our connectivity within the Greater Bay Area in order to fulfil our business development strategies to grow MTR's prominence on the global stage.

I would like to take this opportunity to thank Mr Herbert L. W. Hui, who will retire from the position of Finance Director on 31 December 2023, for his valuable contributions to the Company and its success. Mr Michael George Fitzgerald will join the Company on 19 September 2023 as the Finance Director – Designate to prepare to succeed Mr Hui as Finance Director with effect from 1 January 2024.

In closing, I want to thank everyone at MTR for their commitment and hard work in helping us emerge from the trials of the past few years as an even stronger, more resilient organisation. I believe that the next six months and beyond will see us continue to build on the strong foundations we have laid as we move confidently into a promising new era and Keep Cities Moving with world-class, eco-friendly services.

Dr Jacob Kam Chak-pui
Chief Executive Officer
Hong Kong, 10 August 2023

BUSINESS REVIEW

HONG KONG BUSINESSES

MTR operates largely under a rail plus property business model that comprises Hong Kong rail and bus services plus retail and other commercial activities at stations – collectively referred to as "Hong Kong Transport Services" – as well as the development, rental and management of the Company's railway-linked properties. This business model enables MTR to invest in the maintenance and continued advancement of its railway assets, promotes transit-oriented development ("TOD") for the benefit of communities located along its railway lines, ensures the sustainable growth of the Company, and delivers shareholder value. This segment forms the core of MTR's business activities.

HONG KONG TRANSPORT SERVICES

TRANSPORT OPERATIONS

HIGHLIGHTS

- Fare Adjustment Mechanism ("FAM") review concluded, resulting in retention of existing direct-drive FAM formula with certain new arrangements and ensuring Company's financial sustainability
- More than HK$65 billion to be invested in railway asset maintenance and renewal over the next five years to create smart railways
- Maintained world-class 99.9% train service delivery and passenger journeys on-time

	Six months ended 30 June		
HK$ million	**2023**	2022	Inc./(Dec.) %
Hong Kong Transport Operations			
Total Revenue	**9,342**	5,815	60.7
Operating Profit/(Loss) before Depreciation, Amortisation and Variable Annual Payment ("EBITDA")	**2,680**	(116)	n/m
(Loss)/Profit before Interest, Finance Charges, Taxation and after Variable Annual Payment ("EBIT")	**(774)**	(2,775)	72.1
EBITDA Margin (in %)	**28.7%**	(2.0)%	n/m
EBIT Margin (in %)	**(8.3)%**	(47.7)%	39.4% pts.

n/m: not meaningful

Revenue from Hong Kong transport operations over the first six months of 2023 increased by 60.7% to HK$9,342 million compared to the HK$5,815 million recorded over the same period last year, leading to a 72.1% decrease in loss before interest, finance charges, taxation and after the variable annual payment to HK$774 million versus the first half of 2022. These improved results were primarily due to recovery from the pandemic, as Domestic Service enjoyed growth in patronage and the Cross-boundary Service and High Speed Rail both resumed operations.

Patronage and Revenue

	Patronage In million		Revenue HK$ million	
	Six months ended 30 June 2023	Inc./(Dec.) %	**Six months ended 30 June 2023**	Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service	**777.2**	36.2	**6,680**	39.7
Cross-boundary Service	**28.1**	n/m	**842**	n/m
High Speed Rail ("HSR")	**7.6**	n/m	**1,172**	62.1
Airport Express	**4.6**	374.0	**280**	748.5
Light Rail and Bus	**102.6**	32.0	**323**	30.2
Intercity	**–**	n/m	**–**	n/m
	920.1	41.7	**9,297**	60.6
Others			**45**	66.7
Total			**9,342**	60.7

n/m: not meaningful

As the pandemic situation came under control and travel restrictions were lifted, patronage began to recover over the first half of the year, especially with the phased resumption of rail services to Mainland China. The High Speed Rail gradually began resuming service starting from January. Cross-boundary Service to Lok Ma Chau and Lo Wu resumed in January and February, respectively. Over the first six months of the year, total patronage for all rail and bus services was 920.1 million compared to the 649.4 million recorded over the same period in 2022, representing an increase of 41.7%. Average weekday patronage increased by 40.3% to 5.40 million.

Market Share

The Company's overall market share of the franchised public transport market in Hong Kong was 49.6% in the first five months of 2023 compared with 47.2% during the corresponding period in 2022. This was mainly due to additional patronage from the opening of the East Rail Line cross-harbour extension in May 2022, coupled with patronage recovery for Cross-boundary Service, HSR and Airport Express – in which we have a relatively higher market share than other franchised public transport operators – after the gradual lifting of anti-pandemic measures. Of this total, our share of cross-harbour traffic was 71.8% compared with 67.1% in the first five months of 2022.

With the phased re-opening of HSR and the Cross-boundary Service, our share of the cross-boundary transport business in the first five months of 2023 rebounded to 53.5% from the 0.0% that was recorded over the same period last year due to service closures. Our share of traffic to and from the airport in the first five months of 2023 increased to 20.1% from 16.3%.

Fare Adjustment, Promotions and Concessions

In March, MTR and Government concluded the FAM review. Reviews are conducted every five years. Following the review, it was determined that the current direct-drive FAM formula will be retained for the upcoming five-year cycle (from 2023/2024 to 2027/2028) in order to provide a stable source of recurrent revenue for the maintenance, upgrading and renewal of railway assets. The existing "Affordability Cap" arrangement, by which the rate of any fare increase is capped at the change in the Median Monthly Household Income for the corresponding year, will also be kept in order to continue ensuring affordability. The "Productivity Factor" was enhanced to make reference to the Company's post-tax Hong Kong property development profit; as a result, the corresponding rate of the Productivity Factor will lower the fare adjustment rate by 0.6 to 0.8 percentage point. The Overall Fare Adjustment Rate for 2023/2024 is +2.3% after a special reduction of 1.2 percentage points as well as a special deferral of 1.65 percentage points and a voluntary deferral of 0.2 percentage point – both deferrals to 2024/2025 – to support the recovery of the economy after the pandemic. In addition, the service performance rebate has been enhanced with a new "Thank You Day" arrangement for passengers. Monthly Pass and City Saver tickets have also been extended to benefit medium- and long-distance travellers. From the fourth quarter of 2023, MTR will offer a HK$0.5 interchange discount with Green Minibuses, up from HK$0.3.

The Company also continues to offer on-going fare concessions for the benefit of all passengers, including commuters, the elderly, children, eligible students and persons with disabilities.

Service Performance

MTR takes great pride in delivering world-class rail service and reliability. During the period under review, the Company achieved 99.9% passenger journeys on-time and train service delivery, exceeding its Operating Agreement commitment and its own even more demanding Customer Service Pledge.

Over the first six months of 2023, MTR ran more than 870,000 trips on its Heavy Rail network and more than 460,000 trips on its Light Rail network with just five delays in total (four from Heavy Rail and one from Light Rail). Delays are defined as those lasting 31 minutes or more and attributable to factors within MTR's control. We closely review each incident with the objective of preventing recurrence.

MTR places the highest possible priority on providing safe, reliable and efficient railway services to passengers. The Expert Panel appointed following two incidents in late 2022 completed a comprehensive review of the Company's railway asset management and maintenance regime in June 2023. The Company is now implementing the recommendations from the review, which include investing more than HK$65 billion in railway asset renewal and maintenance over the next five years and accelerating the application of innovation and technology to maintain railway assets at an even higher standard.

Enhancing the Customer Service Experience

As one of the world's leading rail transport providers, MTR is constantly seeking ways to improve its network, assets and services for a smarter and better customer experience. During the period under review, the Company made progress in a number of key areas by introducing new technologies, upgraded trains and equipment, and exciting innovations for better passenger comfort and convenience.

In March 2023, the Company launched a HK$1.3 billion programme to upgrade its Automatic Fare Collection ("AFC") system by progressively replacing 2,400 entry/exit gates at MTR stations across Hong Kong. The new gates have a slimmer body that makes walkways wider, and they also feature software that supports more e-payment options for the convenience of passengers and tourists.

As part of this long-term asset renewal plan for the AFC system, the Company is also gradually expanding payment functions at Customer Service Centres in stations to include cash, Octopus, QR code e-wallets and credit cards for the purchase of products such as Monthly Pass Extra, City Saver tickets and MTR souvenirs.

As part of our programme to phase out existing trains and replace them with newer, more comfortable models, eight new SACEM Q-trains have been put into service along the Kwun Tong Line up to June 2023. We target to have 13 new Q-trains in service on the Kwun Tong Line by the end of this year. In total, MTR has ordered 93 new heavy rail eight-car trains and 40 new light rail vehicles ("LRVs") as part of its programme to retire existing trains and vehicles and replace them with new models. As at June 2023, the Company had received delivery of 40 new LRVs, with 38 put into passenger service.

The programme to replace our existing SACEM signalling system with a communication-based train control signalling system ("CBTC System") along the Tsuen Wan, Island, Kwun Tong and Tseung Kwan O lines also continued during the review period. After undergoing necessary testing and meeting the requirements of relevant Government departments, the new CBTC System is expected to commence service on the Tsuen Wan Line between 2025 and 2026, followed by the Island, Kwun Tong and Tseung Kwan O lines. Overall project completion is expected between 2028 and 2029.

This year, we embarked upon a new programme to replace 31 chillers with newer, more energy-efficient models to provide greater comfort for commuters in stations while reducing energy usage. The programme is targeted for completion in 2026.

Starting from May 2023, we began our programme to install automatic platform gates at 35 platforms in 13 stations along the section between Lo Wu/Lok Ma Chau and Mong Kok East on the East Rail Line. Approximately 1,600 pairs of automatic platform gates will be installed.

In April 2023, we extended the smart toilet management system, which provides passengers with digital display information on toilet cubicle availability and indoor air quality, to all toilets in Hong Kong Station. These innovative facilities can also be found in Central, Admiralty, Exhibition Centre and Tsim Sha Tsui stations, and they will be introduced at Diamond Hill and Yau Tong stations by the end of this year.

Operations Performance in the first half of 2023

Service Performance Item	Performance Requirement	Customer Service Pledge Target	Actual Performance
Train service delivery			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line and South Island Line	98.5%	99.5%	**99.8%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.9%**
– East Rail Line (1)	N/A	N/A	**N/A**
– Tuen Ma Line (2)	N/A	N/A	**N/A**
– Light Rail	98.5%	99.5%	**99.9%**
Passenger journeys on-time			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line and Disneyland Resort Line	98.5%	99.5%	**99.9%**
– Airport Express	98.5%	99.0%	**99.9%**
– East Rail Line (1)	N/A	N/A	**N/A**
– Tuen Ma Line (2)	N/A	N/A	**N/A**
Train punctuality			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line and South Island Line	98.0%	99.0%	**99.7%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line (1)	N/A	N/A	**N/A**
– Tuen Ma Line (2)	N/A	N/A	**N/A**
– Light Rail	98.0%	99.0%	**99.9%**
Train reliability: train car-km per train failure causing delays ≥5 minutes			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	N/A	1,000,000	**2,193,611**
– East Rail Line and Tuen Ma Line	N/A	1,000,000	**6,563,294**
Ticket reliability: smart ticket transactions per ticket failure			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line, Airport Express, East Rail Line and Tuen Ma Line	N/A	18,000	**40,195**
Add value machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line	98.0%	99.0%	**99.8%**
– Tuen Ma Line	98.0%	99.0%	**99.8%**
Ticket machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.8%**
– East Rail Line	97.0%	99.0%	**99.8%**
– Tuen Ma Line	97.0%	99.0%	**99.8%**
– Light Rail	N/A	99.0%	**99.8%**
Ticket gate reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.9%**
– East Rail Line	97.0%	99.0%	**99.9%**
– Tuen Ma Line	97.0%	99.0%	**99.9%**
Light Rail platform Octopus processor reliability	N/A	99.0%	**99.9%**
Escalator reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line	98.0%	99.0%	**99.9%**
Passenger lift reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.8%**
– East Rail Line	98.5%	99.5%	**99.9%**
– Tuen Ma Line	98.5%	99.5%	**99.9%**
Temperature and ventilation			
– Trains, except Light Rail: to maintain a cool, pleasant and comfortable train environment generally at or below 26ºC	N/A	97.5%	**99.9%**
– Light Rail: on-train air-conditioning failures per month	N/A	<3	**0**
– Stations: to maintain a cool, pleasant and comfortable environment generally at or below 27ºC for platforms and 29ºC for station concourses, except on very hot days	N/A	94.0%	**99.9%**
Cleanliness			
– Train compartment: cleaned daily	N/A	99.0%	**99.9%**
– Train exterior: washed every two days (on average)	N/A	99.0%	**100%**
Northwest transit service area bus service			
– Service Delivery	N/A	99.0%	**99.6%**
– Cleanliness: washed daily	N/A	99.0%	**100%**
Passenger enquiry response time within six working days	N/A	99.0%	**100%**

Notes:

1 The performance requirement, customer service pledge target and actual performance result will be available upon completion of two-year revenue operations of the East Rail Line Cross-Harbour Extension.

2 The first two-year revenue operations of the Tuen Ma Line were completed on 26 June 2023. The actual performance result of the Tuen Ma Line will be published in the 2023 Annual Report.

Smart Mobility, Operations and Maintenance

As part of its quest to "Go Smart Go Beyond", MTR constantly seeks to improve the customer experience through innovation. In the first six months of the year, we expanded our "Next Train" function – which allows passengers to see estimated train arrival times in real time on our MTR Mobile app and platforms – to cover the South Island and Tsuen Wan lines. This function will be further expanded to cover the entire rail network (including Light Rail). In April, we digitalised passenger information leaflets to promote a paperless environment and ensure prompt updates. In May, we worked closely with Octopus Cards Limited to further upgrade the MTR Student Travel Scheme by enabling customers with "Student Status" to transfer their physical Octopus cards onto Mobile Octopus, which marked the first-ever instance that Mobile Octopus has carried an MTR concessionary fare discount. We also demonstrated our commitment to accessibility and universal basic mobility through the "MTR • Care" app, which includes features designed to assist passengers with special needs and the elderly.

"Go Smart Go Beyond" is also critical to MTR's efforts to enhance operational efficiency. Over the first half of the year, we worked to implement a new "Smart Depot Operation" initiative that will help digitalise and automate certain operational and maintenance activities to optimise work productivity. Phase I went live at Ho Tung Lau Depot in July. Meanwhile, "Smart Train Planning", a cloud-based AI platform co-developed with Alibaba that optimises train mileage regulation and planning, is expected to be completed for the East Rail Line in the third quarter of this year.

HONG KONG TRANSPORT SERVICES
STATION COMMERCIAL BUSINESSES

HIGHLIGHTS

- Duty-Free retail and advertising in cross-boundary stations resumed
- 79 stations now have 5G services

	Six months ended 30 June		
HK$ million	**2023**	2022	Inc./(Dec.) %
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	**1,640**	774	111.9
Advertising Revenue	**416**	352	18.2
Telecommunication Income	**309**	316	(2.2)
Other Station Commercial Income	**50**	39	28.2
Total Revenue	**2,415**	1,481	63.1
EBITDA	**2,160**	1,237	74.6
EBIT	**1,798**	1,098	63.8
EBITDA Margin (in %)	**89.4%**	83.5%	5.9% pts.
EBIT Margin (in %)	**74.5%**	74.1%	0.4% pt.

In the first half of 2023, total revenue from all Hong Kong station commercial activities increased by 63.1% year on year to HK$2,415 million. This was mainly due to rental revenue from the Duty Free business, which resumed with the re-opening of cross-boundary stations in early 2023.

Station retail rental revenue increased to HK$1,640 million from the HK$774 million recorded in the first half of 2022. Although the resumption of the Duty Free business and relaxation of social distancing measures helped business operations begin returning to normal, station retail rental revenue continued to be affected by negative rental reversions.

As at 30 June 2023, the total number of retail shops in our stations was 1,563, covering 68,273 square metres of station retail area. Rental reversion and average occupancy rates for our station kiosks were -8.4% and 97.0%, respectively.

To help tenants attract customers, MTR continued to run a variety of promotions via its popular MTR Mobile app, MTR Points loyalty scheme and signature Stamp Reward programme. In April 2023, we leveraged the latest round of Government's Consumption Voucher Scheme by partnering with the Octopus App on the "Grab Coupon" promotion and distributing MTR Shops electronic shopping coupons to passengers. We also continued to review our tenant mix – which included introducing pop-up stores – in order to drive rental revenue and ensure that our retail offerings meet the expectations of consumers.

As at 30 June 2023, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 31% will expire in the second half of 2023, 25% in 2024, 30% in 2025, and 14% in 2026 and beyond.

In terms of trade mix, food and beverage accounted for approximately 45% 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 12% and others at 19% as at 30 June 2023.

Revenue from advertising increased by 18.2% to HK$416 million in the first half of 2023. This was mainly the result of increased advertising spend following the relaxation of pandemic-related measures.

As at 30 June 2023, the total number of advertising units in stations and trains decreased to 42,817. This was mainly due to reduced in-train advertising card space in the new Q-trains as well as the revamp of advertising panels. In the first six months of the year, we continued the overall digitalisation of our advertising formats and enhancement of our distribution network to meet market demand for flexible display options, dynamic content and targeted advertising.

Revenue from our telecommunications business over the first six months of 2023 decreased by 2.2% to HK$309 million. We have now launched 5G service in 79 stations throughout our network. In the third quarter of this year, we expect to award the tender for a new commercial system that can support more 5G services and provide even faster data throughput at 24 stations. As at 30 June 2023, around 75% of the capacity at our data centre in Tseung Kwan O had been reserved. We target reaching over 95% within a year. Meanwhile, we continue to explore other data centre opportunities.

PROPERTY AND OTHER BUSINESSES

HIGHLIGHTS

- Held soft opening of The Wai shopping centre in July 2023
- Booked property development profits from LOHAS Park Package 11 and various completed projects

Property Rental and Management

HK$ million	Six months ended 30 June 2023	2022	Inc./(Dec.) %
Hong Kong Property Rental and Management Businesses			
Revenue from Property Rental	**2,324**	2,188	6.2
Revenue from Property Management	**132**	119	10.9
Total Revenue	**2,456**	2,307	6.5
EBITDA	**1,998**	1,873	6.7
EBIT	**1,990**	1,865	6.7
EBITDA Margin (in %)	**81.4%**	81.2%	0.2% pt.
EBIT Margin (in %)	**81.0%**	80.8%	0.2% pt.

Property rental revenue increased by 6.2% to HK$2,324 million in the first half of 2023, which was mainly the result of lower rental concessions provided to tenants following the relaxation of pandemic-related measures. The increase was partially offset by negative rental reversions.

MTR shopping malls in Hong Kong recorded a rental reversion of -12.6% and an average occupancy rate of 99%. The Company's 18 floors in Two International Finance Centre were 99% let on average.

Over the first half of the year, MTR rolled out tactical promotions and targeted marketing campaigns to attract shoppers. In May, MTR Malls organised the "Happy Music Festival", a series of music performances and themed events, in support of Government's "Happy Hong Kong" campaign. That same month, MTR Malls launched the "Happy Together" Click & Grab Coupon campaign, giving away shopping vouchers worth a total of more than HK$20 million.

On 22 July 2023, we proudly held the soft opening of our newest mall, The Wai, located in Tai Wai. The new 60,620-square-metre shopping centre hosts more than 150 retail tenants providing dining, entertainment and other services for the community.

As at 30 June 2023, our attributable share of investment properties in Hong Kong was 257,021 square metres of lettable floor area of retail properties, 39,451 square metres of lettable floor area of office space and 19,206 square metres of property for other use.

As at 30 June 2023, the lease expiry profile of our shopping malls by area occupied was such that approximately 14% will expire in the second half of 2023, 34% in 2024, 21% in 2025, and 31% in 2026 and beyond.

In terms of trade mix, food and beverage accounted for approximately 30% of the leased area of our shopping malls, followed by services at 22%, fashion, beauty and accessories at 21%, leisure and entertainment at 18%, and department stores and supermarkets at 9%.

Property management revenue in Hong Kong increased by 10.9% to HK$132 million over the first six months of the year, which was mainly due to incremental income from new intake of managed units. As at 30 June 2023, MTR managed more than 121,000 residential units and about 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 2023 was HK$712 million, which was mainly derived from the initial profit recognition of LOHAS Park Package 11 and residual profits from various completed projects.

Sales activities continued for SOUTHLAND (THE SOUTHSIDE Package 1), La Marina (THE SOUTHSIDE Package 2) and LP10 (LOHAS Park Package 10), with 79%, 84% and 90% of units sold, respectively, during the period under review. Meanwhile, pre-sale activities continued for a number of property development projects. As at 30 June 2023, Villa Garda I and II (LOHAS Park Package 11) were 79% and 24% sold, respectively. Pre-sales for IN ONE (Ho Man Tin Station Package 2) Phases IA, IB and IC were launched in May, March and April, respectively, and were 13%, 98% and 85% sold as at the end of the reporting period. Pre-sale for La Montagne (THE SOUTHSIDE Package 4 Phase 4A) was also launched in July 2023.

For West Rail properties, where we act as agent for relevant subsidiaries of the Kowloon-Canton Railway Corporation, sales activities continued for the Cullinan

Property Development Packages Completed during the period and Awarded

Location	Developer	Type	Gross floor area (sq. m.)	Tender award date	Expected completion date
Ho Man Tin Station					
Package 1	Great Eagle Group	Residential	69,000	December 2016	By phases in 2024
IN ONE	Chinachem Group	Residential	59,400	October 2018	By phases in 2024
LOHAS Park Station					
Villa Garda	Sino Land Company Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	88,858	April 2019	By phases in 2024
Package 12	Wheelock and Company Limited	Residential	89,290	February 2020	2026
Package 13	Sino Land Company Limited, Kerry Properties Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	143,694	October 2020	2026
Tai Wai Station					
THE PAVILIA FARM	New World Development Company Limited	Residential	190,480	October 2014	Phase I and II completed in 2022 Phase III to be confirmed
		Retail	60,620*		Completed in 2022
Tin Wing Stop					
Tin Wing	Sun Hung Kai Properties Limited	Residential Retail	91,051 205	February 2015	2024
Wong Chuk Hang Station (THE SOUTHSIDE)					
Package 3	CK Asset Holdings Limited	Residential Retail	92,900 47,000	August 2018	2025 Completed in 2023
La Montagne	Kerry Properties Limited, Swire Properties Limited and Sino Land Company Limited	Residential	59,300	October 2019	By phases in 2024
Package 5	New World Development Company Limited, Empire Development Hong Kong (BVI) Limited, CSI Properties Limited and Lai Sun Development Company Limited	Residential	59,100	January 2021	2026
Package 6	Wheelock Properties Limited	Residential	46,800	April 2021	2028
Yau Tong Ventilation Building					
Yau Tong Ventilation Building	Sino Land Company Limited and CSI Properties Limited	Residential	30,225	May 2018	2025
Pak Shing Kok Ventilation Building					
Pak Shing Kok Ventilation Building	New World Development Company Limited and China Merchants Land Limited	Residential	27,006	April 2022	2031
Tung Chung Traction Substation					
Tung Chung Traction Substation	Chinachem Group	Residential	87,288	July 2022	2031
Kam Sheung Road Station#					
GRAND MAYFAIR	Sino Land Company Limited, China Overseas Land & Investment Limited and K. Wah International Holdings Limited	Residential	114,896	May 2017	By phases from 2024 to 2025
Yuen Long Station#					
The YOHO Hub	Sun Hung Kai Properties Limited	Residential Retail	126,455 11,535^	August 2015	By phases from 2022 to 2023

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

Property Development Packages to be Awarded(1)

Location	Type	Gross floor area (sq. m.)	Period of package tenders	Expected completion date
Oyster Bay	Residential Retail Kindergarten	826,000 30,000 4,500	2023 – 2036	2030 – 2042
Tung Chung East Station(2)	Residential Retail Office Kindergarten	456,600 60,000 110,000 1,800	2023 – 2026	2030 – 2034

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

West Development (Nam Cheong Station). As at 30 June 2023, The YOHO Hub Phase 1 (Yuen Long Station) was 43% sold; pre-sale consent has also been obtained for Phase 2. Pre-sales for GRAND MAYFAIR I and II (Kam Sheung Road Station Package 1) continued, with 99% and 82% of units sold as at 30 June 2023, respectively; meanwhile, pre-sale consent has also been obtained for GRAND MAYFAIR III.

Other Businesses

Revenue from Ngong Ping 360 increased to HK$146 million from the HK$22 million recorded in the first half of 2022 as visitation rose to 560,000. These results were mainly due to the low base for comparison versus the same period in 2022, when the cable car service was suspended between 7 January and 20 April due to the outbreak of the fifth wave of COVID-19.

Our share of profit from Octopus Holdings Limited increased by 36.4% to HK$270 million in the first half of the year as a result of the reopening of cross-boundary stations, improved consumer sentiment following the relaxation of social distancing policies and the spill-over effect from Government's Consumption Voucher Scheme. As at 30 June 2023, more than 97,000 service providers in Hong Kong accepted Octopus payments. Another 30 million payment acceptance points are now available in Mainland China and globally through Octopus' collaboration with a third-party payment system. Total cards and other stored-value Octopus products in circulation were 23.7 million, while average daily transaction volumes and value were 15.9 million and HK$353.4 million, respectively.

GROWING OUR HONG KONG BUSINESSES

HIGHLIGHTS

- Entered into a Project Agreement with Government for the Tung Chung Line Extension
- Progressed THE SOUTHSIDE shopping mall in preparation for phased opening starting from the fourth quarter of 2023

In the first half of 2023, we began construction on another major infrastructure project, the Tung Chung Line Extension. The project marks the dawn of a new era in Hong Kong's rail network expansion that will see the Company "Go Beyond Boundaries" by making further enhancements to transport efficiency and introducing quality TOD across the city over the next decade. This phase includes several other new projects under Government's Railway Development Strategy 2014 ("RDS 2014") and projects under the Northern Metropolis Development Strategy, initiatives that are designed to enhance connectivity between local communities and neighbouring cities in the Greater Bay Area. Meanwhile, we continued to expand MTR's retail portfolio with exciting new mall developments that will provide even more quality shopping options for growing areas along the Company's network.

During the first half of 2023, we completed the periodic review of our Operating Agreement with Government. In addition to reviewing a number of the performance requirements, we also reviewed the provisions relating to the land premium arrangements for future projects in light, in particular, of the revised arrangements which were agreed for the Oyster Bay and Tung Chung Line Extension projects, for which the land premium was to be assessed on a full market value basis (i.e. on a with-railway basis rather than ignoring the presence of the railway), with certain agreed amounts deducted. The revised Operating Agreement provides that, going forward, the same approach will be adopted (unless otherwise agreed by the Company and the Government) having regard to the acknowledgements contained in the Operating Agreement that the Company will continue to require an appropriate commercial rate of return when undertaking new projects.

Projects in Progress

On 28 February, MTR signed a Project Agreement with Government for the financing, design, construction, operation and maintenance of the Tung Chung Line Extension. The Company will also undertake the construction of the Airport Railway Extended Overrun Tunnel. The Tung Chung Line Extension includes the diversion of an approximately 1.2-km-long section of track between the existing Tung Chung Station and Sunny Bay Station; the westward extension of the existing Tung Chung Line by approximately 1.3 km; and the construction of a new Tung Chung East Station, located between Tung Chung Station and Sunny Bay Station, and a new Tung Chung West Station, which will become the line's new terminus. Upon its commissioning, the Tung Chung Line Extension will provide the Tung Chung new town extension and its existing population with a direct railway service. The Airport Railway Extended Overrun Tunnel will facilitate an enhanced turnaround for Tung Chung Line and Airport Express trains. The overall project is being funded by the financial contribution from the "Rail plus Property" model and the Company's internal resources.

A ground-breaking ceremony was held on 25 May, making the Tung Chung Line Extension the first RDS 2014 project to commence construction. The Tung Chung Line Extension is targeted for completion in 2029. Construction on the Airport Railway Extended Overrun Tunnel is targeted to commence in 2025 for completion in 2032.

In addition to the Tung Chung Line Extension, the upcoming Oyster Bay Station is set to enhance connectivity in Lantau North and cater to the future population of Oyster Bay. The station will be located at Siu Ho Wan, between Sunny Bay and Tung Chung stations. Construction is expected to commence in 2023, and the project is targeted for completion in 2030.

Other New Railway Projects

We are closely involved in a number of other key projects under RDS 2014, the blueprint for the next phase of Hong Kong's railway network expansion. The scheme for the Tuen Mun South Extension was authorised under the Railways Ordinance in June 2022. Construction is targeted to commence in 2023, and the project is expected to be completed in 2030. The scheme for the new Kwu Tung Station, located on the East Rail Line between Lok Ma Chau and Sheung Shui stations, was authorised under the Railways Ordinance in November 2022. Construction is expected to begin later this year with a target completion date of 2027. The negotiations for the project agreements with Government in respect of both the Tuen Mun South Extension and Kwu Tung Station are at advanced stages. The design works of the Northern Link main line remain in progress. We also continue to develop detailed design and planning for Hung Shui Kiu Station, which is to be located on the Tuen Ma Line between Tin Shui Wai and Siu Hong stations. Elsewhere, we continue to work with Government on challenges pertaining to the North Island Line and South Island Line (West).

MTR fully supports Government's proposed Northern Metropolis Development Strategy as well as the railway projects recommended under the Strategic Studies on Railways and Major Roads Beyond 2030 ("RMR2030+"), which together will extend Hong Kong's rail network to provide greater connectivity between local communities while strengthening linkage with other cities in the Greater Bay Area. We are currently working with Government on RMR2030+ projects, including the Tseung Kwan O Line Southern Extension and Central Rail Link. We are also progressing a construction study on the new Pak Shek Kok Station located on the East Rail Line.

Expanding the Property Portfolio

Investment Properties

After the soft opening of The Wai in July 2023, we anticipate opening THE SOUTHSIDE shopping mall in Wong Chuk Hang in phases starting from the fourth quarter of the year. THE SOUTHSIDE is more than 50% pre-leased and will feature approximately 150 merchants across its 47,000 square metres of GFA.

Residential Property Development

Oyster Bay, adjacent to the future Oyster Bay Station, will be developed in phases and provide about 10,720 private residential units. The intake for the first batch of residents is expected in 2030 subject to the awarding of the tender, which is dependent on market conditions.

We have 14 on-going residential property projects in the pipeline that will deliver a total of approximately 16,000 units to the local housing market in the near to medium term. Regarding the property development at Tung Chung East Station, we will start preparation work for tendering subject to market conditions. We also continue to study the development potential of other areas along our existing and future railway lines.

MAINLAND CHINA AND INTERNATIONAL BUSINESSES

HIGHLIGHTS

- Concessions for South Western Railway and Melbourne's metropolitan rail service extended to May 2025 and mid-2026, respectively
- Remaining section of Beijing Metro Line 16 and the northern section of Beijing Metro Line 17 continued to progress and are targeted to open by the end of this year

This segment enables us to diversify our revenue streams geographically while building the MTR brand around the world. It also forms an important pillar of our Corporate Strategy alongside our Hong Kong Core and New Growth Engine, creating opportunities in high-potential markets that can support the Company's long-term business development goals. During the period under review, MTR provided world-class, low-carbon mass transit services to approximately 1.1 billion passengers in Mainland China, Macao, Europe and Australia through its subsidiaries, associates and joint ventures.

	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	**2023**	2022	Inc./(Dec.) %	**2023**	2022	Inc./(Dec.) %	**2023**	2022	Inc./(Dec.) %
Recurrent Businesses									
Subsidiaries									
Revenue	**863**	818	5.5	**12,216**	12,332	(0.9)	**13,079**	13,150	(0.5)
EBITDA	**152**	121	25.6	**380**	802	(52.6)	**532**	923	(42.4)
EBIT	**22**	114	(80.7)	**268**	677	(60.4)	**290**	791	(63.3)
EBITDA Margin (in %)	**17.6%**	14.8%	2.8% pts.	**3.1%**	6.5%	(3.4)% pts.	**4.1%**	7.0%	(2.9)% pts.
EBIT Margin (in %)	**2.5%**	13.9%	(11.4)% pts.	**2.2%**	5.5%	(3.3)% pts.	**2.2%**	6.0%	(3.8)% pts.
Recurrent Business (Loss)/Profit (Net of Non-controlling Interests)	**(9)**	**94**	**n/m**	**(32)**	**270**	**n/m**	**(41)**	**364**	**n/m**
Associates and Joint Ventures									
Share of Profit	**335**	**257**	**30.4**	**27**	**35**	**(22.9)**	**362**	**292**	**24.0**
Profit/(Loss) Attributable to Shareholders of the Company									
– Arising from Recurrent Businesses (before Business Development Expenses and Impairment Loss)							**321**	**656**	**(51.1)**
– Business Development Expenses							**(128)**	(140)	8.6
– Arising from Recurrent Businesses (after Business Development Expenses but before Impairment Loss)							**193**	**516**	**(62.6)**
– Impairment Loss on Shenzhen Metro Line 4							**–**	(962)	n/m
– Arising from Recurrent Businesses (after Business Development Expenses and Impairment Loss)							**193**	**(446)**	**n/m**
– Arising from Mainland China Property Development							**20**	39	(48.7)
– Arising from Underlying Businesses							**213**	**(407)**	**n/m**

n/m: not meaningful

* *Excluding the impairment loss of HK$962 million on Shenzhen Metro Line 4 in Mainland China provided during the six months ended 30 June 2022*

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$193 million in the first half of 2023 on an attributable basis compared with the net after-tax profit of HK$516 million that was recorded during the first six months of last year, before the HK$962 million impairment provision made for Shenzhen Metro Line 4 ("SZL4") in 2022.

In Mainland China and Macao, recurrent business loss from railway, property rental and property management subsidiaries was HK$9 million in the first half of 2023. The loss was mainly due to a lower contribution from SZL4.

In our international businesses, recurrent business loss from our railway subsidiaries was HK$32 million in the first half of 2023. This was mainly because of the continued operating losses incurred by Stockholms pendeltåg and Mälartåg due to operational challenges.

Our share of profits from our associates and joint ventures increased to HK$362 million from the HK$292 million recorded in the first half of 2022. This was primarily due to the improved performance of our operations in Mainland China.

Railway Businesses in Mainland China

Beijing

In Beijing, our associate operates Beijing Metro Line 4, the Daxing Line, Beijing Metro Line 14, the Northern, Middle and Southern sections of Beijing Metro Line 16 ("BJL16"), and the initial section of Beijing Metro Line 17 ("BJL17"). All lines delivered 99.9% on-time performance in the first half of the year. BJL16 Erligou Station opened in March, and the remaining section is targeted for opening by the end of this year. The remaining sections of BJL17 are under construction, and the northern section is targeted to open by the end of this year.

Shenzhen

SZL4, including the SZL4 North Extension, is operated by our wholly owned subsidiary. The line maintained stable operations during the first half of the year with on-time performance of 99.9%. Shenzhen Metro Line 13 remains under construction with an expected initial opening date of 2024.

As previously stated, there has been no increase in fares for SZL4 since we began operating the line in 2010. We anticipate that the mechanism and procedures for fare adjustments will take a longer time to implement, and that patronage will remain at a lower level for longer than expected. Hence, an impairment provision of HK$962 million was recognised for the SZL4 service concession assets in the first half of last year.

Hangzhou

In Hangzhou, Hangzhou Metro Line 1 ("HZL1"), the Xiasha Extension and Airport Extension, and Hangzhou Metro Line 5 all achieved stable operations over the first six months of 2023 with on-time performance of 99.9%.

HZL1 has been suffering from losses for much of the past several years due to slow growth in patronage and the pandemic. As there is no patronage protection mechanism under this concession agreement, the line's long-term financial viability will be impacted if patronage remains at a lower level over a further period of time, especially when compounded by the lower average fare resulting from the expanded network.

Property Business in Mainland China

As at 30 June 2023, 30 of the remaining 32 units at the Tiara, the residential development located at SZL4 Depot Site Lot 1, had been sold. Foot traffic at TIA Mall in Shenzhen and Ginza Mall in Beijing have shown gradual signs of recovery from the pandemic.

The construction of the shopping mall at Tianjin Beiyunhe Station is targeted for completion in 2024. The Company is now studying possible strategic options for this mall in light of challenging retail property market conditions. Elsewhere, we continued to progress the Hangzhou West Station TOD project during the first half of 2023.

Macao

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line. Train services achieved stable operations over the first half of the year. This service contract will end in December 2024.

Europe

United Kingdom

In 2022, the concession to operate the Elizabeth line was extended to May 2025. The Elizabeth line achieved stable operations during the first half of the year. The final full peak timetable was introduced in May 2023, increasing peak-time frequencies to 24 trains per hour from 22 in each direction between Paddington and Whitechapel stations. On 4 May, the Prince and Princess of Wales took their first-ever trip on the Elizabeth line.

Our associate operates the South Western Railway, one of the UK's largest rail networks. Services were stable during the first half of the year. Under the National Rail Contract that was extended in February 2023 by two years till May 2025, the UK Department for Transport retains all revenue risk and substantially all cost risk for this service.

Sweden

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

Stockholm Metro achieved stable operations over the first half of 2023. Our contract for this service runs to 2025. We submitted a bid for the new Stockholm Metro service contract in July 2023, and the result is expected in the first half of 2024.

Operations at MTRX were also stable during the first six months of the year. However, due to various challenges, we are exploring divestment as well as other options for this business.

Stockholms pendeltåg continued to face challenges from a shortage of local drivers and maintenance issues during the reporting period. We are working hard to improve the financial situation of this service, which is operating at a loss, and reviewing our options for how best to proceed. As previously announced by the Stockholm Transport Authority, this contract will not be extended when it ends in 2026.

At Mälartåg, operations over the first six months of 2023 were also impacted by a shortage of local drivers and maintenance issues, and we are trying to improve the financial performance of this service as well. If the issues cannot be resolved in the near term, the financial sustainability of this contract may be impacted, and a loss provision would need to be considered. We are currently studying options as to the way forward for this business.

Australia

The Melbourne metropolitan rail network achieved stable operations during the period under review. The concession for this service has been extended by 18 months to mid-2026, and we continue to support our client, the Victoria State Government, on various network improvement initiatives. We are currently supporting the delivery of the 9-km-long Metro Tunnel, which will provide a new railway connection through Melbourne's CBD and boost capacity by more than half a million passengers a week. The tunnel is scheduled to open in 2025.

The Sydney Metro North West Line achieved stable operational performance and customer satisfaction over the first six months of the year. We were proud to receive the "Operator & Service Provider Excellence Award" for this line at the National Infrastructure Awards 2023. For the Sydney Metro City & Southwest Project, we began dynamic testing for the Phase 1 City Section in April 2023 with the first train running under Sydney Harbour.

Growth Outside of Hong Kong

During the reporting period, we continued to seek growth opportunities in Mainland China as well as overseas. In July, the Company signed a Memorandum of Understanding with Mass Rapid Transit Corporation Sdn. Bhd. ("MRT Corp") to collaborate on the setting out of a framework for a TOD project adjacent to the new terminal station of a new rapid transit line in Malaysia. The project would see MTR and MRT Corp build a new community integrating railway, residential and commercial elements. Discussions regarding transport infrastructure, station commercial and TOD opportunities are also on-going in areas including Chengdu and the Greater Bay Area.

NEW GROWTH ENGINE

MTR Lab, an innovation investment company under our "New Growth Engine" strategic pillar, creates strategic value by investing in technologies and formulating innovative solutions that support the long-term growth of communities. In April, it was announced that MTR Lab and Cyberport had jointly invested in alfred24, a locally based logistics technology start-up with innovative solutions designed to help reduce the time, costs and carbon emissions associated with the commercial delivery cycle. In June, MTR Lab partnered with 2150 and Taronga Ventures to invest in Ampd Energy, a provider of energy storage systems for construction sites that produce up to 85% less carbon dioxide emissions than traditional diesel generators.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental, Social and Governance ("ESG") lies at the heart of everything we do at MTR. From providing safe, reliable and low-carbon rail transit services for people from all walks of life, to helping build and rejuvenate neighbourhoods with world-class residential and retail projects, we constantly strive to meet the high standards of environmental and social responsibility that our stakeholders expect of us. For 2023, we have set 44 key performance indicators to gauge our performance across 10 focus areas in our three environmental and social objectives of Greenhouse Gas ("GHG") Emissions Reduction, Social Inclusion, and Advancement and Opportunities. Achieving these objectives is paramount to driving sustainable growth for the Company and the communities it serves.

Environmental Aspects

In June, we announced that the Science Based Targets initiative ("SBTi") has approved MTR's targets for reducing the Company's GHG emissions for its railway and property businesses in Hong Kong. Under these targets, we will reduce about half of our GHG emissions by 2030, using the base year of 2019 for comparison. Meeting these targets will help us attain our long-term goal of achieving carbon neutrality by 2050. At the same time, MTR employs solar technology to generate renewable energy. We currently have five solar photovoltaic projects at our depots and stations, and all of the installation work has already been completed. In June, we organised our first-ever Green Week in Hong Kong, collaborating with over 20 green NGOs and partners to enhance colleagues' understanding of our objectives in GHG emissions reduction.

Social Aspects

Railways form the backbone of mass transit in Hong Kong, which is why MTR aims to ensure that its services are accessible, inclusive, safe and affordable for everyone. The Company also works hard to promote diversity, equity and inclusion in our workforce and equal opportunities for communities and business partners. During the period under review, we continued to reach out to families and youth through several educational and artistic initiatives. Some highlights of the first half of the year included the transformation of Admiralty Station into the "Double Ducks-Themed Station" and the relaunch of the "Living Arts Stage" at Hong Kong Station. The Budding Station Master Programme was also relaunched to offer primary school students a unique learning experience at stations. In collaboration with the True Colors Symphony and The Zubin Foundation, the Company hosted the "Multicultural Green Music Show" in Maritime Square in June, bringing together families from diverse cultural backgrounds to perform music using instruments made from retired train parts. Our International Women's Day celebration in March included the launch of our Gender Equity Network 2023, which aim to promote equal opportunities in the workplace.

Passengers around the world depend on MTR for their daily commuting needs, which makes ensuring their safety our number one priority. During the period under review, we completed an asset management system review of the Company's operations and railway portfolio in Hong Kong, continued to review our safety and health practices, conducted thorough staff training on the fundamentals of public and workplace safety, and raised awareness among members of the public – particularly youth and the elderly – on the principles of keeping safe when travelling the MTR network. In the first half of 2023, the number of reportable events on our heavy rail and light rail networks increased by 107% and 70%, respectively, compared to the same period in 2022. These events were mostly related to escalators. In response, our Escalator Safety Special Task Force continued to promote the importance of riding escalators safely to prevent accidents. We also established a tailor-made Elderly Caring Programme focusing on incident prevention and reduction as well as safety education for the elderly.

Governance

The Company strives to achieve world-class standards of corporate governance in order to ensure ethical conduct and transparency in its business activities and instil confidence among shareholders and stakeholders. Over the first six months of the year, we further strengthened our governance efforts by achieving our target of having 25% female members on the Board by 2025.

Being one of the world's largest operators of mass transit railways, the Company must adhere to comprehensive enterprise risk management practices across a broad range of areas and activities to, inter alia, protect the safety and health of the general public and staff and ensure business continuity in the event of emerging developments. Our robust enterprise risk management framework covers a wide range of risks, including strategic, operational, financial, compliance and reputational risks, as well as measures to enhance resiliency, such as preparedness, mitigations and contingencies. We also conduct regular reviews of our top risks, emerging risks and ESG-related risks to account for our constantly evolving business and operating environments. During the reporting period, we continued to implement our "three lines of defence" framework to ensure proactive and effective management of risk, and we also commissioned an independent review of our enterprise risk management framework to identify continuous improvement opportunities and leading risk management practices.

HUMAN RESOURCES

As at 30 June 2023, MTR and its subsidiaries employed 17,180 people in Hong Kong and 15,797 people outside of Hong Kong. Our associates and joint ventures employed an additional 20,739 people in Hong Kong and worldwide. The voluntary staff turnover rate in Hong Kong was 7.4% over the first six months of the year.

In a challenging labour market, we seek to attract and retain top talent by offering competitive pay and benefits, short- and long-term incentive schemes, a broad range of career development opportunities, and performance-based recognition and rewards. We offer advancement and opportunities for our staff by investing significantly in their training, development and careers while promoting work-life balance through well-being initiatives and family-friendly policies. Over the first six months of the year, we provided an average of 2.5 training days per employee in Hong Kong. To build a talent pipeline for the long term and provide career opportunities for Hong Kong's youth, we have also continued our graduate, apprenticeship and internship recruitment initiatives this year through a variety of virtual and physical means.

As part of our continuous listening strategy, we conducted an Employee Engagement Survey Pulse Survey in December 2022, and the results, analyses and insights were communicated to management and staff in February 2023. Since then, we have implemented follow-up actions at the Corporate and Business Unit/Function levels to address staff concerns and create a better work experience for colleagues in a challenging business environment. A full survey will be conducted in the fourth quarter of 2023.

MTR ACADEMY

Through the MTR Academy, we offer our railway management and engineering expertise to young and established professionals alike through high-quality accredited programmes and short courses in an effort to further careers and nurture the next generation of industry talent. The Academy is also an effective vehicle for promoting the MTR brand across Mainland China and Belt and Road countries.

In February 2023, the Academy launched its MTR Research Funding scheme, which supports forward-looking research projects at universities that aim to explore, shape and realise the mass public transport systems of tomorrow. Research outcomes are expected to complement MTR's own efforts to utilise technology and innovation to create smart railways. As at end-June 2023, a total of 84 applications had been received. Stringent evaluations are now underway to shortlist potential projects to be funded.

KEY FIGURES

	Six months ended 30 June				
	2023		2022		Favourable/ (Unfavourable)
	HK$ million	**%**	HK$ million	%	Change %
Total revenue					
Recurrent business revenue					
– Hong Kong transport services					
– Hong Kong transport operations	**9,342**	**33.9**	5,815	25.2	60.7
– Hong Kong station commercial businesses	**2,415**	**8.8**	1,481	6.5	63.1
– Total Hong Kong transport services	**11,757**	**42.7**	7,296	31.7	61.1
– Hong Kong property rental and management businesses	**2,456**	**8.9**	2,307	10.0	6.5
– Mainland China and international railway, property rental and management subsidiaries	**13,079**	**47.4**	13,150	57.1	(0.5)
– Other businesses	**282**	**1.0**	142	0.6	98.6
	27,574	**100.0**	22,895	99.4	20.4
Property development business revenue					
– Mainland China property development	**–**	**–**	138	0.6	n/m
Total revenue	**27,574**	**100.0**	23,033	100.0	19.7
Total EBITDA(1)					
Recurrent business EBITDA					
– Hong Kong transport services					
– Hong Kong transport operations	**2,680**	**33.4**	(116)	(0.9)	n/m
– Hong Kong station commercial businesses	**2,160**	**26.9**	1,237	9.5	74.6
– Total Hong Kong transport services	**4,840**	**60.3**	1,121	8.6	331.8
– Hong Kong property rental and management businesses	**1,998**	**24.9**	1,873	14.5	6.7
– Mainland China and international railway, property rental and management subsidiaries	**532**	**6.6**	923	7.1	(42.4)
– Other businesses, project studies and business development expenses	**(114)**	**(1.4)**	(284)	(2.2)	59.9
	7,256	**90.4**	3,633	28.0	99.7
Property development business EBITDA					
– Hong Kong property development	**783**	**9.7**	9,277	71.6	(91.6)
– Mainland China property development	**(9)**	**(0.1)**	49	0.4	n/m
	774	**9.6**	9,326	72.0	(91.7)
Total EBITDA	**8,030**	**100.0**	12,959	100.0	(38.0)
Total EBIT(2)					
Recurrent business EBIT					
EBIT					
– Hong Kong transport services					
– Hong Kong transport operations	**(774)**	**(17.0)**	(2,775)	(29.2)	72.1
– Hong Kong station commercial businesses	**1,798**	**39.4**	1,098	11.5	63.8
– Total Hong Kong transport services	**1,024**	**22.4**	(1,677)	(17.7)	n/m
– Hong Kong property rental and management businesses	**1,990**	**43.6**	1,865	19.6	6.7
– Mainland China and international railway, property rental and management subsidiaries(3)	**290**	**6.4**	791	8.3	(63.3)
– Other businesses, project studies and business development expenses	**(146)**	**(3.2)**	(317)	(3.3)	53.9
– Impairment loss on Shenzhen Metro Line 4	**–**	**–**	(962)	(10.1)	n/m
Share of profit of associates and joint ventures	**632**	**13.8**	490	5.2	29.0
	3,790	**83.0**	190	2.0	n/m
Property development business EBIT					
– Hong Kong property development	**783**	**17.2**	9,277	97.5	(91.6)
– Mainland China property development	**(9)**	**(0.2)**	49	0.5	n/m
	774	**17.0**	9,326	98.0	(91.7)
Total EBIT	**4,564**	**100.0**	9,516	100.0	(52.0)
Gain/(loss) from fair value measurement of investment properties	**1,005**		(2,389)		n/m
Interest and finance charges	**(589)**		(458)		(28.6)
Profit before taxation	**4,980**		6,669		(25.3)
Income tax	**(627)**		(1,741)		64.0
Profit for the period	**4,353**		4,928		(11.7)
Non-controlling interests	**(175)**		(196)		10.7
Profit for the period attributable to shareholders of the Company	**4,178**		4,732		(11.7)
Profit/(loss) for the period attributable to shareholders of the Company arising from:					
Recurrent businesses					
– in Hong Kong	**2,227**		(232)		n/m
– outside Hong Kong	**193**		(446)		n/m
	2,420		(678)		n/m
Property development businesses					
– in Hong Kong	**712**		7,747		(90.8)
– outside Hong Kong	**20**		39		(48.7)
	732		7,786		(90.6)
Underlying businesses	**3,152**		7,108		(55.7)
Fair value measurement of investment properties	**1,026**		(2,376)		n/m
Total profit for the period attributable to shareholders of the Company	**4,178**		4,732		(11.7)

Notes:

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

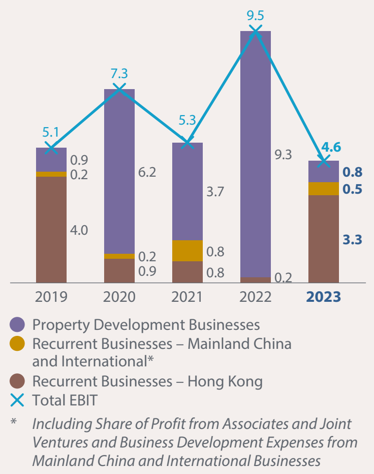
2 *EBIT represents profit/(loss) before fair value measurement of investment properties, interest, finance charges and taxation and after variable annual payment.*

3 *Excluding the impairment loss of HK$962 million in respect of Shenzhen Metro Line 4 in Mainland China for the six months ended 30 June 2022.*

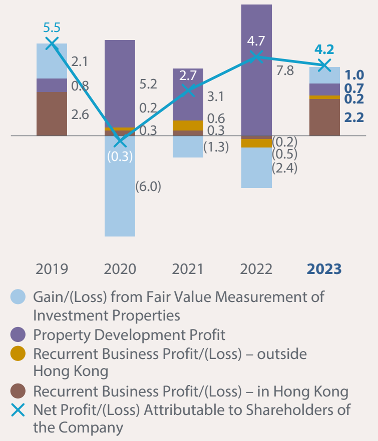
n/m: not meaningful

Total Revenue
(HK$ billion)

Total EBIT
(HK$ billion)



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



	Six months ended 30 June		Favourable/ (Unfavourable)
	2023	2022	Change %
Financial ratios			
EBITDA margin[4] *(in %)*	**26.3**	16.0	10.3% pts.
EBITDA margin[4] (excluding Mainland China and international subsidiaries[δ]) *(in %)*	**46.4**	27.8	18.6% pts.
EBIT margin[5] *(in %)*	**11.4**	(1.1)^	n/m
EBIT margin[5] (excluding Mainland China and international subsidiaries[φ]) *(in %)*	**19.8**	(1.3)	n/m
Net debt-to-equity ratio[6] *(in %)*	**22.3#**	23.3*	1.0% pt.
Interest cover[7] *(times)*	**9.2**	19.8	(10.6) times
Share information			
Basic earnings per share *(in HK$)*	**0.67**	0.76	(11.8)
Basic earnings per share arising from underlying businesses *(in HK$)*	**0.51**	1.15	(55.7)
Ordinary dividend per share *(in HK$)*	**0.42**	0.42	–
Share price *(in HK$)*	**36.00#**	41.35*	(12.9)
Market capitalisation *(in HK$ million)*	**223,274#**	256,455*	(12.9)
Hong Kong Transport Operations			
Total passenger boardings *(in million)*			
Domestic Service	**777.2**	570.5	36.2
Cross-boundary Service	**28.1**	0.2	n/m
High Speed Rail	**7.6**	–	n/m
Airport Express	**4.6**	1.0	374.0
Light Rail and Bus	**102.6**	77.7	32.0
Average number of passengers *(in thousand)*			
Domestic Service *(weekday)*	**4,599.1**	3,392.5	35.6
Cross-boundary Service *(daily)*	**155.1**	1.2	n/m
High Speed Rail *(daily)*	**45.6~**	–	n/m
Airport Express *(daily)*	**25.2**	5.3	374.0
Light Rail and Bus *(weekday)*	**596.4**	448.7	32.9
Average fare *(in HK$)*			
Domestic Service	**8.26**	8.08	2.3
Cross-boundary Service	**30.00**	9.64	211.1
High Speed Rail	**84.25**	–	n/m
Airport Express	**61.29**	34.68	76.7
Light Rail and Bus	**3.15**	3.19	(1.5)
Proportion of franchised public transport boardings (January to May) *(in %)*	**49.6**	47.2	2.4% pts.

Notes:

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

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

6 *Net debt-to-equity ratio represents 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 in the consolidated statement of financial position as a percentage of total equity.*

7 *Interest cover represents operating profit before fair value measurement of investment properties, depreciation, amortisation, impairment loss, variable annual payment and share of profit of associates and joint ventures divided by interest and finance charges before capitalisation, and utilisation of government subsidy for Shenzhen Metro Line 4 operation.*

δ *Excluding the relevant revenue and expenses of Mainland China and international subsidiaries of HK$13,079 million and HK$12,556 million (2022: HK$13,288 million and HK$12,316 million) respectively.*

φ *Excluding the relevant revenue, expenses, depreciation and amortisation, and impairment loss of Mainland China and international subsidiaries of HK$13,079 million, HK$12,556 million, HK$242 million, and HK$nil (2022: HK$13,288 million, HK$12,316 million, HK$132 million, and HK$962 million) respectively.*

^ *Excluding the impairment provision of HK$962 million made in respect of Shenzhen Metro Line 4, the EBIT margin would have been 3.1% for the six months ended 30 June 2022.*

\# *Figures as at 30 June 2023*

* *Figures as at 31 December 2022*

~ *Average of 15 January 2023 to 30 June 2023*

FINANCIAL REVIEW

A review of the Group's results and operations is featured in the preceding sections. This section discusses and analyses these results in a greater level of detail.

CONSOLIDATED PROFIT OR LOSS

	Six months ended 30 June		Favourable/ (Unfavourable) Change	
HK$ million	**2023**	2022	HK$ million	%
Total Revenue	**27,574**	**23,033**	**4,541**	**19.7**
Recurrent Business Profit/(Loss)ζ				
EBIT#				
Hong Kong Transport Services				
– Hong Kong Transport Operations	**(774)**	(2,775)	2,001	72.1
– Hong Kong Station Commercial Businesses	**1,798**	1,098	700	63.8
Total Hong Kong Transport Services	**1,024**	(1,677)	2,701	n/m
Hong Kong Property Rental and Management Businesses	**1,990**	1,865	125	6.7
Mainland China and International Railway, Property Rental and Management Subsidiaries*	**290**	791	(501)	(63.3)
Other Businesses, Project Study and Business Development Expenses	**(146)**	(317)	171	53.9
Share of Profit of Associates and Joint Ventures	**632**	490	142	29.0
Total Recurrent EBIT (before Impairment Loss)	**3,790**	**1,152**	**2,638**	**229.0**
Impairment Loss on Shenzhen Metro Line 4	**–**	(962)	962	n/m
Total Recurrent EBIT (after Impairment Loss)	**3,790**	**190**	**3,600**	**n/m**
Interest and Finance Charges	**(626)**	(501)	(125)	(25.0)
Income Tax	**(569)**	(171)	(398)	(232.7)
Non-controlling Interests	**(175)**	(196)	21	10.7
Recurrent Business Profit/(Loss)	**2,420**	**(678)**	**3,098**	**n/m**
Property Development Profit (Post-tax)				
Hong Kong	**712**	7,747	(7,035)	(90.8)
Mainland China	**20**	39	(19)	(48.7)
Property Development Profit (Post-tax)	**732**	**7,786**	**(7,054)**	**(90.6)**
Underlying Business Profitε	**3,152**	**7,108**	**(3,956)**	**(55.7)**
Gain/(Loss) from Fair Value Measurement of Investment Properties (Post-tax)				
Gain/(Loss) from Fair Value Remeasurement on Investment Properties	**21**	(2,376)	2,397	n/m
Gain from Fair Value Measurement of Investment Properties on Initial Recognition from Property Development	**1,005**	–	1,005	n/m
Gain/(Loss) from Fair Value Measurement of Investment Properties (Post-tax)	**1,026**	**(2,376)**	**3,402**	**n/m**
Net Profit Attributable to Shareholders of the Company	**4,178**	**4,732**	**(554)**	**(11.7)**

ζ : *Recurrent business profit/(loss) represents profit/(loss) 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 of investment properties in Hong Kong and Mainland China)*

: *EBIT represents profit before interest, finance charges and taxation*

* : *Excluding the impairment loss of HK$962 million in respect of Shenzhen Metro Line 4 in Mainland China for the six months ended 30 June 2022*

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

n/m: not meaningful

Our recurrent business financial performance for the six months ended 30 June 2023 shows gradual recovery, having benefited from the removal of anti-pandemic restrictions and phased reopening of rail links with Mainland China. On the other hand, our property development business delivered modest profits from LOHAS Park Package 11 and various completed projects, as compared to three of our development projects having profits booked in the same period last year.

Total Revenue

The Group's total revenue for the six months ended 30 June 2023 increased by 19.7% to HK$27,574 million when compared to the same period in 2022. The increase was mainly contributed by (i) recovery in Domestic Service patronage as well as patronage growth resulting from a full six-month operation of the East Rail Line cross-harbour extension, compared to the low base of revenue recorded during the same period last year following the outbreak of the fifth wave of COVID-19 in Hong Kong; (ii) gradual resumption of Cross-boundary and High Speed Rail fare revenue together with Duty Free rental income following the phased reopening of rail links with Mainland China; and (iii) higher revenue from our Melbourne transport operations. These factors were partly offset by (i) decrease in design and delivery project income of the Sydney Metro City & Southwest project; and (ii) decrease in revenue in Sweden.

Recurrent Business Profit/(Loss)

The Group recorded recurrent business profit of HK$2,420 million during the six months ended 30 June 2023 compared to a loss of HK$678 million in the same period last year. The improvement in recurrent business profit was mainly contributed by (i) the aforementioned increased revenue in Hong Kong transport operations ("HKTO") and Hong Kong station commercial businesses ("HKSC") following the resumption of cross-boundary rail services, as well as the low base of revenue recorded in the same period last year; and (ii) the impairment provision of HK$962 million in respect of Shenzhen Metro Line 4 made in the first half of 2022.

EBIT

HKTO: EBIT loss narrowed substantially by HK$2,001 million, or 72.1%, to HK$774 million for the six months ended 30 June 2023 compared to an EBIT loss of HK$2,775 million in the same period of 2022. This was the result of increased revenue arising from (i) a rebound in our Domestic patronage as COVID-19 has mostly subsided; (ii) recovery in Cross-boundary Service, High Speed Rail and Airport Express revenue after the removal of anti-pandemic restrictions and phased reopening of rail links with Mainland China; and (iii) the impact of a full six-month operating period for the East Rail Line cross-harbour extension, which opened in May 2022.

These favourable results were partially offset by (i) increased operating expenses due to inflation, enhanced train services in Domestic Service, resumption of operations for Cross-boundary Service and High Speed Rail, and incremental costs from the new East Rail Line cross-harbour extension, despite our continuous collective effort in maintaining stringent cost control measures; (ii) higher depreciation from railway asset renewal or commissioning; and (iii) higher variable annual payment to KCRC.

HKSC: EBIT increased significantly by HK$700 million, or 63.8%, to HK$1,798 million, predominantly due to the resumption of Duty Free Shop revenue after the reopening of boundary crossing stations. Other station retail rentals continued to be adversely affected by negative rental reversions on renewals and new lets.

Hong Kong property rental and management businesses: EBIT increased by HK$125 million, or 6.7%, to HK$1,990 million. This was mainly due to fewer rental concessions being granted and amortised during the six months ended 30 June 2023 when compared to the same period last year, though it was partly offset by the adverse impact of negative rental reversions.

Mainland China and international railway, property rental and management business subsidiaries: EBIT for the six months ended 30 June 2023 decreased significantly by HK$501 million, or 63.3%, to HK$290 million. This was mainly due to (i) the continuous challenges being faced in operational and financial performances of Stockholms pendeltåg and Mälartåg regional traffic; and (ii) the depletion of the government subsidy in late 2022 for Shenzhen Metro Line 4, which resulted in no government subsidy being booked in profit or loss during the six months ended 30 June 2023. These factors were partially mitigated by recovery in patronage as the pandemic subsided.

Other businesses, project study and business development expenses: EBIT loss from these businesses was HK$146 million for the six months ended 30 June 2023 compared to an EBIT loss of HK$317 million for the same period in 2022. The reduction in loss of HK$171 million, or 53.9%, was due to increased visitor numbers and improved financial performance of Ngong Ping 360.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures increased by HK$142 million, or 29.0%, to HK$632 million for the six months ended 30 June 2023. This was mainly due to (i) higher profit sharing in Octopus Holdings Limited as a result of boundary reopening, improved consumer sentiment following the relaxation of social distancing policies and the spill-over effect from the Government's Consumption Voucher Scheme; and (ii) improved performance of our operations in Mainland China.

Total Recurrent EBIT

Total recurrent EBIT before impairment loss increased by HK$2,638 million, or 229.0%, to HK$3,790 million. Including the impairment loss on Shenzhen Metro Line 4 of HK$962 million for the six months ended 30 June 2022, total recurrent EBIT increased by HK$3,600 million to HK$3,790 million.

Income Tax

Income tax increased by HK$398 million, or 232.7%, to HK$569 million for the six months ended 30 June 2023. This was mainly due to the increase in recurrent business profit in Hong Kong.

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 the first six months of 2023/2024 amounted to HK$4.9 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. The hearing before the Board of Review is scheduled to be held in early 2024. Further details are set out in Note 8 "Income Tax" to the Unaudited Interim Financial Report.

Property Development Profit (Post-tax)

Property development profit (post-tax) was HK$732 million for the six months ended 30 June 2023, which was mainly derived from initial profit recognition from LOHAS Park Package 11 and residual profits from various completed projects. The decrease was HK$7,054 million when comparing to HK$7,786 million when three of our development projects having profits booked during the same period last year.

Gain/(Loss) from Fair Value Measurement of Investment Properties (Post-tax)

Gain from fair value measurement of investment properties in Hong Kong and Mainland China was HK$1,026 million during the six months ended 30 June 2023. This comprised (i) a portion of gain of HK$1,005 million recognised from the initial fair value measurement of our sharing-in-kind property (i.e. THE SOUTHSIDE shopping mall); and (ii) a marginal gain of HK$21 million from investment property fair value remeasurement after tax.

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$4,178 million for the six months ended 30 June 2023 compared to a net profit of HK$4,732 million for the same period in 2022.

CONSOLIDATED FINANCIAL POSITION

HK$ million	**At 30 June 2023**	At 31 December 2022	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Net Assets	**177,661**	179,912	(2,251)	(1.3)
Total Assets	**341,726**	327,081	14,645	4.5
Total Liabilities	**164,065**	147,169	16,896	11.5
Gross Debt^	**53,330**	47,846	5,484	11.5
Net Debt-to-equity Ratio$^{\delta}$	**22.3%**	23.3%		(1.0)% pt.

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

δ : *Net debt-to-equity ratio represents net debt of HK$39,601 million (31 December 2022: HK$41,994 million), which comprises loans and other obligations, short-term loans, obligations under service concession and loans from holders of non-controlling interests net of cash, bank balances and deposits in the consolidated statement of financial position, as a percentage of the total equity of HK$177,661 million (31 December 2022: HK$179,912 million)*

Net Assets

Our financial position remains strong. The Group's net assets decreased slightly by 1.3% to HK$177,661 million as at 30 June 2023. This was mainly due to the accrual for the 2022 final ordinary dividend for payment in July 2023, which was partly mitigated by the net profit recognised for the six months ended 30 June 2023.

Total Assets

Total assets increased slightly by 4.5% to HK$341,726 million. This was mainly due to the increase in cash, bank balances and deposits as well as the receipt of our shopping mall THE SOUTHSIDE as an investment property.

Total Liabilities

Total liabilities increased by 11.5% to HK$164,065 million. This was mainly due to the accrual for the 2022 final ordinary dividend and the net drawdown of loans, as well as deferred income retained regarding a portion of the gain from the initial fair value measurement of THE SOUTHSIDE shopping mall after considering the outstanding risks and obligations relating to THE SOUTHSIDE Package 3 property development project.

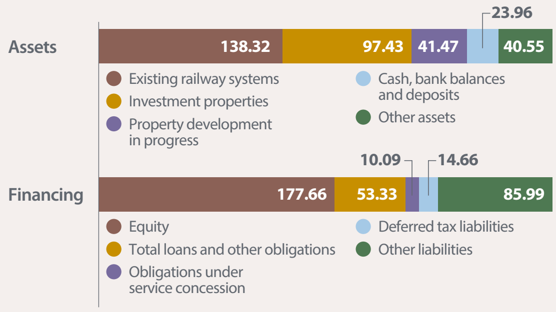
Gross Debt and Cost of Borrowing

As at 30 June 2023, gross debt of the Group (being loans and other obligations, and short-term loans) increased by 11.5% or HK$5,484 million from 31 December 2022. Weighted average borrowing cost of the Group's interest-bearing borrowings for the six months ended 30 June 2023 was at 3.3% p.a., an increase of 1.1% points over the same period in 2022.

Simplified Consolidated Financial Position

As at 30 June 2023

(HK$ billion)



Net Debt-to-equity Ratio and Interest Cover

Net debt-to-equity ratio decreased by 1.0% point to 22.3% as at 30 June 2023 from 23.3% as at 31 December 2022. This was mainly due to the decrease of net debt. The Group's interest cover for the six months ended 30 June 2023 was 9.2 times, compared to 19.8 times during the same period in 2022.

CONSOLIDATED CASH FLOWS

	Six months ended 30 June	
HK$ million	**2023**	2022
Net Cash Generated from Operating Activities	**3,870**	**3,775**
Net Receipts from Property Development	**4,533**	11,152
Variable Annual Payment	**(323)**	(260)
Other Net Cash Outflow from Investing Activities	**(4,995)**	(4,270)
Net Cash (Used in)/Generated from Investing Activities	**(785)**	**6,622**
Net Drawdown/(Repayment) of Debts, Net of Lease Rental and Interest Payments	**5,223**	(4,362)
Other Net Cash Outflow from Financing Activities	**(376)**	(109)
Net Cash Generated from/(Used in) Financing Activities	**4,847**	**(4,471)**
Effect of Exchange Rate Changes	**(110)**	(475)
Increase in Cash, Bank Balances and Deposits, Net of Bank Overdraft	**7,822**	**5,451**

Net Cash Generated from Operating Activities

Net cash generated from operating activities was HK$3,870 million for the six months ended 30 June 2023 compared to HK$3,775 million for the same period in 2022. This was mainly due to the increase in operating profit as discussed above, offset by the higher tax payment made during the period.

Net Receipts from Property Development

Net receipts from property development were HK$4,533 million, comprising mainly cash receipts from THE PAVILIA FARM.

Other Net Cash Outflow from Investing Activities

Other net cash outflow from investing activities was HK$4,995 million, which mainly included capital expenditure of HK$5,200 million comprising HK$3,744 million for investments in additional assets such as station renovation works, new trains and signalling systems for existing Hong Kong railways and related operations; HK$770 million for Hong Kong railway extension projects, primarily initial works for RDS 2014 projects; HK$512 million for Hong Kong investment properties, in particular the fitting-out works for The Wai; and HK$174 million for Mainland China and overseas subsidiaries such as Shenzhen Metro Line 13.

FINANCING ACTIVITIES

The United States Federal Reserve continued to hike interest rates in the first half of 2023, bringing the Federal Funds Target Rate to a range of 5%-5.25% p.a. as core inflation rates remained elevated.

The 3-month USD Libor increased from 4.77% p.a. at the beginning of the year to 5.55% p.a. by the end of June, whereas the 3-month HKD Hibor started the year at 4.99% p.a. and fell to a low of 3.42% p.a. in February before rising again to 4.97% p.a. The 10-year US Treasury yield fell from 3.87% p.a. to 3.84% p.a., and the 10-year HKD swap rate fell from 3.88% p.a. to 3.87% p.a.

In the first half of 2023, the Company arranged HK$8.5 billion worth of debt financing, including HK$7.5 billion from MTN issuances with maturities ranging between two to three years and a HK$1 billion three-year bank loan. Approximately HK$930 million of the financing was arranged under our Sustainable Finance Framework, with proceeds earmarked for eligible investments.

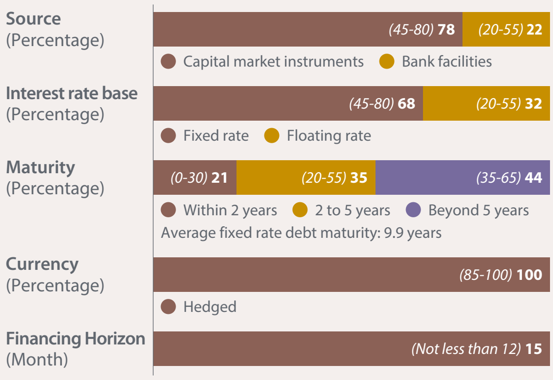
The Group's consolidated gross debt position at the end of June 2023 was HK$53.3 billion, with a cash and deposit balance of HK$24.0 billion and undrawn committed facilities of over HK$13 billion.

The weighted average cost of the Group's interest-bearing borrowings over the first six months was 3.3% p.a. as compared to 2.2% p.a. for the same period in 2022. As at the end of June 2023, around 68% of the Group's borrowings were fixed-rate borrowings with an average interest rate of 2.8% p.a. and maturity of 9.9 years.

Preferred Financing Model and Debt Profile

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

(Preferred Financing Model) vs. **Actual debt profile** as at 30 June 2023



CORPORATE GOVERNANCE AND OTHER INFORMATION

MEMBERS OF THE BOARD AND THE EXECUTIVE DIRECTORATE

List of Members of the Board and the Executive Directorate and their Roles and Functions (as at 10 August 2023)

		Board Committees/Advisory Panel						
	Executive Committee	Audit & Risk Committee	Nominations Committee	Remuneration Committee	Capital Works Committee	Environmental & Social Responsibility Committee	Finance & Investment Committee	Technology Advisory Panel
Members of the Board								
Non-executive Directors ("NED")								
Dr Rex Auyeung Pak-kuen (Chairman)			M	M		C		
Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury)				M			M	
Secretary for Transport and Logistics (Lam Sai-hung)			M	M				
Permanent Secretary for Development (Works) (Ricky Lau Chun-kit)			M		M			
Commissioner for Transport (Rosanna Law Shuk-pui)		M						M
Independent Non-executive Directors ("INED")								
Andrew Clifford Winawer Brandler		M					C	
Dr Bunny Chan Chung-bun						M	M	
Walter Chan Kar-lok			C		M			
Dr Dorothy Chan Yuen Tak-fai				C	M			
Cheng Yan-kee				M	C			
Hui Siu-wai		M			M			
Sunny Lee Wai-kwong			M					C
Dr Rose Lee Wai-mun				M			M	
Jimmy Ng Wing-ka			M			M		
Carlson Tong		C					M	
Sandy Wong Hang-yee						M		M
Adrian Wong Koon-man		M		M				
Professor Anna Wong Wai-kwan		M	M					
Executive Director								
Dr Jacob Kam Chak-pui (Chief Executive Officer)	C					M		
Members of the Executive Directorate								
Dr Jacob Kam Chak-pui (Chief Executive Officer)	C					M		
Margaret Cheng Wai-ching (Human Resources Director)	M					M		
Linda Choy Siu-min (Corporate Affairs and Branding Director)	M							
Carl Michael Devlin (Capital Works Director)	M							
Herbert Hui Leung-wah (Finance Director)	M							
Dr Tony Lee Kar-yun (Operations Director)	M							
Gillian Elizabeth Meller (Legal and Governance Director)	M					M		
David Tang Chi-fai (Property and International Business Director)	M							
Sammy Wong Kwan-wai (Mainland China Business Director)	M							
Jeny Yeung Mei-chun (Hong Kong Transport Services Director)	M							

C : Chairman of the committee/advisory panel
M: Member of the committee/advisory panel

Corporate governance is the collective responsibility of the Members of the Board and the Board firmly believes that good corporate governance is fundamental for the Company in achieving its vision and fulfilling its purpose and in ensuring the proper management of the Company in the interests of all of its stakeholders. The Board actively seeks opportunities for continuous improvement in the area of corporate governance and takes prompt action in responding to identified improvement opportunities.

Recognising the importance of maintaining gender diversity on the Board, in 2022 the Company made a pledge to maintain not less than 20% of female members on the Board with effect from March 2022 and set a target of achieving 25% of female members on the Board by 2025, as set out in the Company's Board Diversity Policy, which is available on the Company's website (www.mtr.com.hk). Following the appointment of two female members to the Board at the Company's Annual General Meeting held on 24 May 2023 (the "2023 AGM"), the Board currently has five female members, representing slightly over 26% of the entire membership, thereby achieving the Company's target of having 25% of female members on the Board well before 2025.

Following the implementation of the Protocol of Conduct of Business of the Company ("Protocol") last updated in January 2022, certain revisions to the Protocol, together with consequential revisions to the respective terms of reference of the Finance & Investment Committee ("F&IC") and the Capital Works Committee ("CWC") of the Company, were approved by the Board on 10 August 2023 aiming to streamline the governance process with enhanced efficiency, while retaining an appropriate level of oversight. The respective updated terms of reference of the F&IC and the CWC are available on the respective websites of the Company (www.mtr.com.hk) and The Stock Exchange of Hong Kong Limited ("HKSE").

CORPORATE GOVERNANCE CODE COMPLIANCE

During the six months ended 30 June 2023, the Company has complied with the code provisions set out in Appendix 14 (Corporate Governance Code) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BUSINESS ETHICS

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

The Code of Conduct is reviewed and updated periodically to ensure appropriateness and compliance with corporate and regulatory requirements. The latest version was released in February 2022 in the form of a digital flipbook to facilitate staff understanding and access. In addition, a new staff awareness programme was launched in early June 2022. The second module on "Use of Company Resources" was launched in June 2023. Animation videos and interactive games with real life examples have been provided to staff to illustrate the guiding principles and to help staff members exercise good judgement on the use of company resources and determine if certain acts are inappropriate or unacceptable. Other education programmes, such as mandatory online training programmes, have also been introduced to raise staff awareness.

To ensure our staff members live up to the highest ethical standards, a policy related to the prevention of bribery and corrupt practices has been put in place and is reviewed periodically. Staff members are also encouraged to report existing or perceived violations of the Code of Conduct as well as malpractices. Proper procedures relating to the whistle-blowing policy of the Company are also established, which enable staff members to raise their concerns in a safe environment and in complete confidence if they have genuine suspicions about any wrongdoings.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code"). After having made specific enquiry, the Company confirms that all Members of the Board and (where applicable) their Alternate Directors and all Members of the Executive Directorate have complied with the Model Code throughout the six months ended 30 June 2023.

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

For enhanced monitoring and effectiveness, the Company has implemented an electronic platform "Model Code Managers Management System" to provide one-stop access to the relevant key processes to support compliance with the Model Code. Periodic training is also required to be completed by Model Code Managers, with the latest training provided in February 2023.

CHANGES DURING THE PERIOD FROM 1 JANUARY 2023 TO 10 AUGUST 2023

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

With effect from the conclusion of the 2023 AGM:

1. Dr Pamela Chan Wong Shui retired as an INED and ceased to be the chairman of the Nominations Committee ("NC") and a member of the Environmental & Social Responsibility Committee ("E&SRC") of the Company;

2. Mr Johannes Zhou Yuan retired as an INED and ceased to be the chairman of the Technology Advisory Panel ("TAP") and a member of the Audit & Risk Committee ("A&RC") of the Company;

3. Ms Sandy Wong Hang-yee was elected as a Member of the Board and has become an INED of the Company, and has been appointed by the Board as a member of each of the E&SRC and the TAP of the Company;

4. Professor Anna Wong Wai-kwan was elected as a Member of the Board and has become an INED of the Company, and has been appointed by the Board as a member of each of the A&RC and the NC of the Company;

5. Mr Walter Chan Kar-lok, an INED and a member of each of the NC and the CWC of the Company, has been appointed by the Board as the chairman of the NC of the Company; and

6. Mr Sunny Lee Wai-kwong, an INED and a member of each of the NC and the TAP of the Company, has been appointed by the Board as the chairman of the TAP of the Company.

As announced by the Government on 7 July 2023, Miss Rosanna Law Shuk-pui will cease to hold the post of the Commissioner for Transport ("C for T") on 15 August 2023. Accordingly, she will cease to be a NED of the Company with effect from the same time. Miss Law will also cease to be a member of each of the A&RC and the TAP of the Company, both with effect from 15 August 2023. The Government further announced on the same date that Ms Angela Lee Chung-yan will take up the post of the C for T on 28 August 2023 and, by virtue of holding such post, will become a NED of the Company with effect from the same time. Ms Lee will also become a member of each of the A&RC and the TAP of the Company, both with effect from 28 August 2023.

Changes of Alternate Directors

1. Ms Sharon Lee Hang-yee (also known as Mrs Sharon Yip Lee Hang-yee) ceased to be an Alternate Director to the office of the Secretary for Transport and Logistics ("S for T&L") (Mr Lam Sai-hung), a NED of the Company, with effect from 30 January 2023, as she ceased to hold the post of the Deputy Secretary for Transport and Logistics 1 ("DS (TL) 1") with effect from the same date.

2. Ms Amy Wong Pui-man took up the post of the DS (TL) 1 with effect from 30 January 2023 and, by virtue of holding such post, continues to act as an Alternate Director to the office of the S for T&L (Mr Lam Sai-hung), a NED of the Company, with effect from the same date.
3. Ms Ida Lee Bik-sai took up the post of the Deputy Secretary for Transport and Logistics 2 with effect from 30 January 2023 and, by virtue of holding such post, has become an Alternate Director to the office of the S for T&L (Mr Lam Sai-hung), a NED of the Company, with effect from the same date.
4. Mr Chau Siu-hei (also known as Mr Francis Chau Siu-hei) ceased to be the Alternate Director to the office of the Permanent Secretary for Development (Works) ("PS for D(W)") (Mr Ricky Lau Chun-kit), a NED of the Company, with effect from 3 June 2023, as he retired from the post of the Deputy Secretary for Development (Works)3 ("DS for D(W)3") with effect from the same date.
5. Mr Ho Ying-kit (also known as Mr Tony Ho Ying-kit) took up the post of the DS for D(W)3 with effect from 5 June 2023 and, by virtue of holding such post, has become the Alternate Director to the office of the PS for D(W) (Mr Ricky Lau Chun-kit), a NED of the Company, with effect from the same date.

Changes in Composition of the Executive Directorate

1. Mr Adi Lau Tin-shing retired from the Company upon the completion of his service agreement with the Company immediately after 31 December 2022, and ceased to be the Managing Director – Mainland China Business and Global Operations Standards and a Member of the Executive Directorate of the Company at the same time.
2. Mr Sammy Wong Kwan-wai was appointed as the Mainland China Business Director and has become a Member of the Executive Directorate of the Company, both with effect from 1 January 2023.

As announced by the Company on 27 July 2023, Mr Herbert Hui Leung-wah will retire from the Company upon the completion of his service agreement with the Company immediately after 31 December 2023, and will cease to be the Finance Director and a Member of the Executive Directorate of the Company at the same time. Mr Michael George Fitzgerald will be appointed as the Finance Director and will become a Member of the Executive Directorate of the Company, both with effect from 1 January 2024. To facilitate a smooth transition, Mr Fitzgerald will join the Company on 19 September 2023 as the Finance Director – Designate.

Changes in Information of Directors

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

(i) Changes in Biographical Details

Name	Change(s)	Nature and Effective Date of Change(s)
Dr Jacob Kam Chak-pui	United Nations Economic and Social Commission for Asia and the Pacific • Member of the Sustainable Business Network ("ESBN") Executive Council • Chair of the ESBN Task Force on Infrastructure and Logistics	 Appointment (18 May 2023) Appointment (18 May 2023)
	The Hong Kong Institution of Engineers • Co-opted Council Member	Appointment (20 July 2023)
Andrew Clifford Winawer Brandler	CLP Holdings Limited • Vice Chairman of Board	Appointment (1 January 2023)
Dr Bunny Chan Chung-bun	Speedy Global Holdings Limited • Independent Non-executive Director	Cessation (31 January 2023)
Walter Chan Kar-lok	Messrs. Rowland Chow, Chan & Co., Solicitors • Consultant	Cessation (1 January 2023)
Dr Dorothy Chan Yuen Tak-fai	The Chinese Occupational Education Association • Board Member	Appointment (29 May 2023)
Christopher Hui Ching-yu	Hong Kong Investment Corporation Limited • Director	Appointment (15 February 2023)
Lam Sai-hung	Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council • Vice-Chairperson	Appointment (7 February 2023)

(i) Changes in Biographical Details *(continued)*

Name	Change(s)	Nature and Effective Date of Change(s)
Sunny Lee Wai-kwong	Committee on Innovation, Technology and Industry Development (Hong Kong) • Ex-officio Member	Appointment (3 March 2023)
Jimmy Ng Wing-ka	Chinese People's Political Consultative Conference of Shaanxi Province • Member	Appointment (1 January 2023)
	The National People's Congress of the People's Republic of China • Member of the Hong Kong delegation	Appointment (5 March 2023)
	Mandatory Provident Fund Schemes Authority (Hong Kong) • Non-executive Director	Cessation (17 March 2023)
Carlson Tong	University Grants Committee (Hong Kong) • Chairman	Cessation (1 January 2023)
	Human Resources Planning Commission (Hong Kong) • Member	Cessation (1 January 2023)
	Standard Chartered Bank • Member of the Court	Cessation (1 January 2023)
	Hong Kong Investment Corporation Limited • Director	Appointment (15 February 2023)
	Hong Kong Exchanges and Clearing Limited • Independent Non-executive Director	Appointment (26 April 2023)
	Judicial Officers Recommendation Commission (Hong Kong) • Member	Appointment (1 July 2023)
Sandy Wong Hang-yee	Communications Authority (Hong Kong) • Co-opted Member of Broadcast Codes of Practice Committee	Appointment (1 April 2023)
Adrian Wong Koon-man	Standing Commission on Civil Service Salaries and Conditions of Service (Hong Kong) • Member	Appointment (1 January 2023)
Professor Anna Wong Wai-kwan	Bank of China International Limited • Independent Non-executive Director • Chairlady of the Risk Committee • Member of the Audit Committee	Cessation (6 July 2023) Cessation (6 July 2023) Cessation (6 July 2023)
Margaret Cheng Wai-ching	Labour Department (Hong Kong) • Member of the Labour Advisory Board Committee on Employment Services	Cessation (1 January 2023)
	Hospital Authority Academy (Hong Kong) • Member of the Steering Committee	Appointment (7 July 2023)
Herbert Hui Leung-wah	The Standing Committee on Disciplined Services Salaries and Conditions of Service (Hong Kong) • Chairman of the ICAC Sub-Committee	Appointment (1 January 2023)
	Chinese Medicine Development Fund supervised by the Health Bureau (Hong Kong) • Non-official Member of the Advisory Committee	Appointment (1 March 2023)
Gillian Elizabeth Meller	The Standing Committee on Company Law Reform (Hong Kong) • Member	Cessation (1 February 2023)
	Hong Kong, China Rugby (formerly Hong Kong Rugby Union) • Independent Director	Change of name (21 June 2023) Appointment (2 May 2023)
Sammy Wong Kwan-wai	International Association of Public Transport (UITP) • Member of the Metro Operations Subcommittee • Member of the Asia-Pacific Urban Rail Platform Committee	Cessation (14 February 2023) Appointment (14 February 2023)
Jeny Yeung Mei-chun	Hong Kong Cyberport Management Company Limited • Member of the Cyberport Advisory Panel	Cessation (1 January 2023)
	Octopus Holdings Limited and two members of the Octopus Holdings Limited group • Non-executive Chairman	Appointment (1 January 2023)
	The Hong Kong Housing Authority • Non-official Member of the Finance Committee	Appointment (1 April 2023)
	Council for Carbon Neutrality and Sustainable Development (Hong Kong) • Member	Appointment (1 May 2023)

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

(ii) Changes in Directors' Remuneration

On the recommendation of the Remuneration Committee of the Company ("RC"), the Board approved a revised remuneration framework and adjusted the membership fees for Non-executive Members of the Board, Board Committees and Advisory Panel in May 2023. Separate resolutions were passed for each Non-executive Member of the Board and none of the Board Members voted on the resolution relating to his or her own remuneration.

The revised remuneration framework (see table below) took effect on 1 July 2023 and the total fees payable to Non-executive Directors are within the revised annual cap (contained in the Company's Articles of Association) approved by the shareholders of the Company at the Company's Annual General Meeting in 2022:

	Annual Fees (HK$)	
Membership	Before*	After
Board		
– Chairman	1,500,000	1,500,000
– Other Members	300,000	350,000
Audit & Risk Committee and Capital Works Committee		
– Chairman	150,000	160,000
– Other Members	90,000	100,000
Finance & Investment Committee		
– Chairman	110,000	160,000
– Other Members	60,000	100,000
Remuneration Committee, Nominations Committee, Environmental & Social Responsibility Committee, and Technology Advisory Panel		
– Chairman	110,000	120,000
– Other Members	60,000	70,000

* *The previous remuneration framework was approved in January 2017.*

In light of the changes set out in the section headed "Changes in Composition of the Board and Board Committees/ Advisory Panel" on page 35 of this report and the above-mentioned revision to the remuneration framework for Non-executive Directors, the annual fees payable by the Company to Non-executive Members of the Board for the year ending 31 December 2023 will be calculated on a pro rata basis:

	Directors' fees		
Name	Before Change* (HK$ per annum)	After Change (HK$ per annum)	Effective Date of Change
Dr Rex Auyeung Pak-kuen	1,730,000	1,760,000	1 July 2023
Christopher Hui Ching-yu (Note 1)	420,000	520,000	1 July 2023
Secretary for Transport and Logistics (Lam Sai-hung) (Note 2)	420,000	490,000	1 July 2023
Permanent Secretary for Development (Works) (Ricky Lau Chun-kit) (Note 2)	450,000	520,000	1 July 2023
Commissioner for Transport (Rosanna Law Shuk-pui) (Note 2)	450,000	520,000	1 July 2023
Andrew Clifford Winawer Brandler	500,000	610,000	1 July 2023
Dr Bunny Chan Chung-bun	420,000	520,000	1 July 2023
Walter Chan Kar-lok	450,000	500,000*	24 May 2023
	500,000 (since 24 May 2023)	570,000	1 July 2023
Dr Dorothy Chan Yuen Tak-fai	500,000	570,000	1 July 2023
Cheng Yan-kee	510,000	580,000	1 July 2023
Hui Siu-wai	480,000	550,000	1 July 2023
Sunny Lee Wai-kwong	420,000	470,000*	24 May 2023
	470,000 (since 24 May 2023)	540,000	1 July 2023
Dr Rose Lee Wai-mun	420,000	520,000	1 July 2023
Jimmy Ng Wing-ka	420,000	490,000	1 July 2023
Carlson Tong	510,000	610,000	1 July 2023
Sandy Wong Hang-yee	420,000	490,000	1 July 2023
Adrian Wong Koon-man	450,000	520,000	1 July 2023
Professor Anna Wong Wai-kwan	450,000	520,000	1 July 2023

* *Based on the previous remuneration framework approved in January 2017.*

Notes:

1. *The director's fees in respect of Mr Christopher Hui Ching-yu, the Secretary for Financial Services and the Treasury of the HKSAR Government, are received by the HKSAR Government rather than by Mr Hui personally.*
2. *The director's fees in respect of the offices of the Secretary for Transport and Logistics, the Permanent Secretary for Development (Works) and the Commissioner for Transport, each of whom has been appointed as a Member of the Board by the Chief Executive of the HKSAR pursuant to Section 8 of the Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong) are received by the HKSAR Government rather than by the holders of the offices concerned.*

INDUCTION PROGRAMME, TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

Induction and familiarisation programmes have been or will be provided to Ms Sandy Wong Hang-yee and Professor Anna Wong Wai-kwan, the recently appointed Members of the Board, Ms Ida Lee Bik-sai and Mr Ho Ying-kit, the new Alternate Directors, and Mr Sammy Wong Kwan-wai, the new Member of the Executive Directorate.

In July 2023, certain Members of the Board and the Executive Directorate visited The Wai at the Company's Tai Wai property development, to gain a first-hand understanding of this new addition to the Company's shopping mall portfolio.

To assist Members of the Board and the Executive Directorate in continuing their professional development, the Company Secretary recommends them to attend relevant seminars and courses at the cost of the Company. In addition, an Environmental, Social and Governance (ESG) briefing was provided to Members of the Board in May 2023.

Save for the above, materials on the subject of corporate governance and e-learning provided by HKSE and other professional firms and institutes are also provided/notified to Members of the Board, Alternate Directors and Members of the Executive Directorate from time to time to keep them abreast of the latest developments on this front.

BOARD MEETINGS

The Board held five meetings (three Regular Meetings, one Special Meeting and one Private Meeting) during the six months ended 30 June 2023.

Regular Meetings

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

- Corporate Strategy:
  - Receipt of report on the post transformation review of the strategy implementation under the corporate transformation programme;
- Environmental, Social and Governance:
  - Annual review of the structure, size and composition of the Board and its corporate governance functions for 2022; annual assessment of (i) the independence of the INEDs, and (ii) the effectiveness of the Company's risk management and internal control systems for 2022;
  - Recommendation of the appointment of new Members of the Board and re-election of retiring Members of the Board for approval by shareholders at the 2023 AGM;
  - Approval of (i) changes in the composition of Board Committees/Advisory Panel; and (ii) annual update to the Directors' Manual;
  - Approval of Sustainability Report 2022; and
  - Receipt and consideration of reports from Management on key matters such as corporate safety governance and enterprise risk management;
- Hong Kong Transport Services:
  - Receipt of report on the 2022 Hong Kong Transport Services Performance;
  - Receipt of progress update on the review of the Company's Fare Adjustment Mechanism ("FAM") and approval of the principles for adjusting the controlled fares for 2023 under the FAM;
  - Approval of award of signalling works contract; and

  - Receipt of update on the review of the Asset Management System of the Company's railway operation;
- Capital Works:
  - Approval of award of construction contracts for the Tung Chung Line Extension; and
  - Receipt of status updates on the Project Agreements for the Tuen Mun South Extension and Kwu Tung Station projects;
- Property:
  - Receipt of progress updates on the tender of property development projects; and
  - Receipt of progress update on a new project;
- Mainland China and International Businesses:
  - Receipt of 2022 annual update on the Mainland China and Macao businesses;
  - Receipt of update on a proposed tender submission for a metro operating concession overseas; and
  - Receipt of update on the long-term plan for certain international businesses;
- Financial:
  - Review and approval of 2022 Annual Report and financial statements;
  - Receipt of the annual shareholder analysis and investor feedback; and
  - Approval of the 2023 revised Budget.

Special Meeting

One Special Meeting was held to approve the submission to the Government for a proposed railway project, the outcome of the 2023 FAM Review and the principles for revising MTR fares under the FAM in 2023.

Private Meeting

One Private Meeting was held to consider (i) the revised fees for the NEDs; and (ii) the appointment of a Member of the Executive Directorate.

COMMUNICATION WITH SHAREHOLDERS

Annual General Meeting

The Company's 2023 AGM was held on 24 May 2023. The Chairman continued his practice of proposing separate resolutions for each substantially separate matter.

A total of 10 resolutions were passed at the 2023 AGM (with resolution no. 3 comprising three separate resolutions), all of which were supported by over 98% of the votes cast, with a vast majority of the resolutions receiving over 99% support. The full text of the resolutions is set out in the 2023 AGM Circular (which comprised the Notice of the 2023 AGM) dated 14 April 2023.

All resolutions at the 2023 AGM were passed by way of a poll, and the poll results were posted on the respective websites of the Company (www.mtr.com.hk) and the HKSE on the same day after the 2023 AGM.

The 2023 AGM continued to be held in a hybrid format, which provided shareholders with an alternative option to participate through an online platform with a choice of language (Cantonese, English and Putonghua). Sign language interpretation and simultaneous interpretation services continued to be made available. Shareholders could submit questions in advance of the 2023 AGM or at the meeting either in person or in real-time through the online platform. For the benefit of the Company's shareholders who were unable to attend the 2023 AGM, a webcast of the whole proceedings was also posted on the Company's website for viewing.

CONSTITUTIONAL DOCUMENT

The Company's Articles of Association (in both English and Chinese) are available on the websites of both the Company (www.mtr.com.hk) and the HKSE. During the six months ended 30 June 2023, there was no change to the Company's Articles of Association.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the interests or short positions of the Members of the Board, Alternate Director(s) and Members of the Executive Directorate in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code, were as follows:

Members of the Board/ Alternate Director/ Members of the Executive Directorate	No. of ordinary shares held		No. of award shares#		Percentage of aggregate interests to total no. of voting shares in issueΔ
	Personal interests*	Family interests†	Personal interests*	Total interests	
Dr Jacob Kam Chak-pui	740,104	–	493,218	1,233,322	0.01989
Cheng Yan-kee	–	2,000 (Note)	–	2,000	0.00003
Dr Rose Lee Wai-mun	3,350	–	–	3,350	0.00005
Adrian Wong Koon-man	–	558 (Note)	–	558	0.00001
Maurice Loo Kam-wah	588	–	–	588	0.00001
Margaret Cheng Wai-ching	242,331	–	103,302	345,633	0.00557
Linda Choy Siu-min	19,733	–	91,367	111,100	0.00179
Carl Michael Devlin	2,566	–	28,134	30,700	0.00049
Herbert Hui Leung-wah	160,905	2,233 (Note)	95,384	258,522	0.00417
Dr Tony Lee Kar-yun	147,977	–	89,918	237,895	0.00384
Gillian Elizabeth Meller	224,474	–	95,217	319,691	0.00515
David Tang Chi-fai	325,061	–	109,351	434,412	0.00700
Sammy Wong Kwan-wai	37,466	–	34,317	71,783	0.00116
Jeny Yeung Mei-chun	792,829	–	109,351	902,180	0.01455

Note: As at 30 June 2023, these shares were held by the spouse of the relevant Member of the Board or Member of the Executive Directorate of the Company.

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

* *Interests as beneficial owner*

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

Δ *The Company's total number of voting shares in issue as at 30 June 2023 was 6,202,060,784*

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

A as at 30 June 2023, no Member of the Board or Alternate Director or Member of the Executive Directorate of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and

B during the six months ended 30 June 2023, no Member of the Board or Alternate Director or Member of the Executive Directorate of the Company nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them,

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Set out below is the name of the party which was interested in 5% or more of all the Company's voting shares in issue and the number of shares in which it was interested as at 30 June 2023 as recorded in the register kept by the Company under section 336 of the SFO:

Name	No. of ordinary shares held	Percentage of ordinary shares to total no. of voting shares in issue$^{\Delta}$
The Financial Secretary Incorporated ("FSI") (in trust on behalf of Government)	4,634,173,932	74.72%

Δ *The Company's total number of voting shares in issue as at 30 June 2023 was 6,202,060,784*

The Company has been informed by the Hong Kong Monetary Authority that, as at 30 June 2023, approximately 0.15% of the ordinary shares of the Company ("Ordinary Shares") in issue (not included in the FSI shareholding set out in the above table) were held for the account of the Exchange Fund. The Exchange Fund is a fund established under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) under the control of the Financial Secretary.

OTHER PERSONS' INTERESTS

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

Save as disclosed above and in the sections headed "Directors' Interests in Shares and Underlying Shares of the Company" and "Substantial Shareholders' Interests", as at 30 June 2023, the Company has not been notified of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

EXECUTIVE SHARE INCENTIVE SCHEME

The Company adopted the Executive Share Incentive Scheme with effect from 1 January 2015 ("Effective Date") and it will remain in force until 31 December 2024. The purposes of the Executive Share Incentive Scheme are to retain management and key employees, to align participants' interests with the long-term success of the Company and to drive the achievement of strategic objectives of the Company.

Details on the operation of the Executive Share Incentive Scheme are set out in the sections headed "Long-Term Incentives" (pages 147 to 148), "Executive Share Incentive Scheme" (pages 171 to 173) and notes 2(W)(iii) (page 221), 11B (page 235) and 44(ii) (pages 277 to 278) to the Consolidated Financial Statements, of the Company's 2022 Annual Report (www.mtr.com.hk).

EXECUTIVE SHARE INCENTIVE SCHEME *(continued)*

Movements in award shares under the Executive Share Incentive Scheme during the six months ended 30 June 2023 are set out below:

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1) Restricted shares (Note 2)	Types of award shares granted (Note 1) Performance shares (Note 3)	Award shares outstanding as at 1 January 2023	Award shares vested during the period	Award shares lapsed and/or forfeited during the period	Award shares outstanding as at 30 June 2023	Weighted average closing price of shares immediately before the date(s) on which the award shares were vested (HK$)
Dr Jacob Kam Chak-pui	8/4/2020	89,300	–	29,768	29,768	–	–	37.85
	8/4/2021	52,750	199,800	234,967	17,583	–	217,384	37.85
	1/4/2022	132,000	–	132,000	–	–	132,000	–
	8/4/2022	133,700	–	133,700	44,566	–	89,134	37.85
	11/4/2023 (Note 6)	54,700	–	–	–	–	54,700	–
Margaret Cheng Wai-ching	8/4/2020	32,450	–	10,818	10,818	–	–	37.85
	8/4/2021	17,450	47,850	59,484	5,816	–	53,668	37.85
	8/4/2022	39,500	–	39,500	13,166	–	26,334	37.85
	11/4/2023 (Note 6)	23,300	–	–	–	–	23,300	–
Linda Choy Siu-min	8/4/2021	13,500	47,850	56,850	4,500	–	52,350	37.85
	8/4/2022	32,200	–	32,200	10,733	–	21,467	37.85
	11/4/2023 (Note 6)	17,550	–	–	–	–	17,550	–
Carl Michael Devlin	8/4/2022	7,700	7,300	15,000	2,566	–	12,434	37.85
	11/4/2023 (Note 6)	15,700	–	–	–	–	15,700	–
Herbert Hui Leung-wah	8/4/2020	29,050	–	9,684	9,684	–	–	37.85
	8/4/2021	15,600	47,850	58,250	5,200	–	53,050	37.85
	8/4/2022	37,850	–	37,850	12,616	–	25,234	37.85
	11/4/2023 (Note 6)	17,100	–	–	–	–	17,100	–
Dr Tony Lee Kar-yun	8/4/2020	15,500	–	5,168	5,168	–	–	37.85
	8/4/2021	13,550	47,850	56,884	4,516	–	52,368	37.85
	8/4/2022	34,050	–	34,050	11,350	–	22,700	37.85
	11/4/2023 (Note 6)	14,850	–	–	–	–	14,850	–
Gillian Elizabeth Meller	8/4/2020	27,000	–	9,000	9,000	–	–	37.85
	8/4/2021	14,250	47,850	57,350	4,750	–	52,600	37.85
	8/4/2022	34,600	–	34,600	11,533	–	23,067	37.85
	11/4/2023 (Note 6)	19,550	–	–	–	–	19,550	–
David Tang Chi-fai	8/4/2020	31,350	–	10,450	10,450	–	–	37.85
	8/4/2021	17,200	47,850	59,317	5,733	–	53,584	37.85
	8/4/2022	46,000	–	46,000	15,333	–	30,667	37.85
	11/4/2023 (Note 6)	25,100	–	–	–	–	25,100	–

EXECUTIVE SHARE INCENTIVE SCHEME *(continued)*

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1) Restricted shares (Note 2)	Performance shares (Note 3)	Award shares outstanding as at 1 January 2023	Award shares vested during the period	Award shares lapsed and/or forfeited during the period	Award shares outstanding as at 30 June 2023	Weighted average closing price of shares immediately before the date(s) on which the award shares were vested (HK$)
Sammy Wong Kwan-wai (Note 4)	8/4/2020	7,650	–	2,550	2,550	–	–	37.85
	8/4/2021	7,350	10,100	15,000	2,450	–	12,550	37.85
	8/4/2022	8,050	–	8,050	2,683	–	5,367	37.85
	11/4/2023 (Note 6)	16,400	–	–	–	–	16,400	–
Jeny Yeung Mei-chun	8/4/2020	32,650	–	10,884	10,884	–	–	37.85
	8/4/2021	17,200	47,850	59,317	5,733	–	53,584	37.85
	8/4/2022	46,000	–	46,000	15,333	–	30,667	37.85
	11/4/2023 (Note 6)	25,100	–	–	–	–	25,100	–
Other eligible employees (Note 5)	8/4/2020	2,069,800	6,950	493,410	492,510	900	–	37.87
	8/4/2021	1,787,100	1,013,200	1,897,357	500,319	24,738	1,372,300	37.87
	8/4/2022	2,087,600	233,400	2,129,350	670,827	52,138	1,406,385	37.95
	11/4/2023 (Note 6)	2,332,200	42,850	–	15,800	10,600	2,348,650	36.97

Notes:

1 *The award shares granted under the Executive Share Incentive Scheme are issued Ordinary Shares.*

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

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

4 *Mr Sammy Wong Kwan-wai was appointed as the Mainland China Business Director and became a Member of the Executive Directorate of the Company, both with effect from 1 January 2023.*

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

6 *The closing price of the Ordinary Shares immediately before the date on which the award shares were granted on 11 April 2023 was HK$38.60.*

7 *No award shares were cancelled during the six months ended 30 June 2023.*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of the Group's listed securities during the six months ended 30 June 2023. However, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the HKSE a total of 2,310,000 Ordinary Shares for a total consideration of approximately HK$91 million during the same period.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Company's shareholders' entitlement to the 2023 interim dividend, the Register of Members of the Company was closed from 25 August 2023 to 30 August 2023 (both dates inclusive), during which time no transfers of shares in the Company were effected. To qualify for the 2023 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 24 August 2023 (Hong Kong time). The 2023 interim dividend, with a scrip dividend option (except for shareholders with registered addresses in New Zealand or the United States of America or any of its territories or possessions), is expected to be distributed on 13 October 2023 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 30 August 2023.

UNAUDITED INTERIM FINANCIAL REPORT
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in HK$ million	Note	**Six months ended 30 June 2023 (Unaudited)**	Six months ended 30 June 2022 (Unaudited)
Revenue from Hong Kong transport operations		**9,342**	5,815
Revenue from Hong Kong station commercial businesses		**2,415**	1,481
Revenue from Hong Kong property rental and management businesses		**2,456**	2,307
Revenue from Mainland China and international railway, property rental and management subsidiaries	2	**13,079**	13,150
Revenue from other businesses		**282**	142
		27,574	22,895
Revenue from Mainland China property development	2	**–**	138
Total revenue		**27,574**	23,033
Expenses relating to Hong Kong transport operations			
– Staff costs and related expenses		**(3,363)**	(3,155)
– Maintenance and related works		**(1,154)**	(1,019)
– Energy and utilities		**(1,175)**	(877)
– General and administration expenses		**(349)**	(343)
– Stores and spares consumed		**(263)**	(253)
– Railway support services		**(154)**	(89)
– Government rent and rates		**(77)**	(77)
– Other expenses		**(127)**	(118)
		(6,662)	(5,931)
Expenses relating to Hong Kong station commercial businesses		**(255)**	(244)
Expenses relating to Hong Kong property rental and management businesses		**(458)**	(434)
Expenses relating to Mainland China and international railway, property rental and management subsidiaries	2	**(12,547)**	(12,227)
Expenses relating to other businesses		**(240)**	(253)
Project study and business development expenses		**(156)**	(173)
		(20,318)	(19,262)
Expenses relating to Mainland China property development	2	**(9)**	(89)
Operating expenses before depreciation, amortisation and variable annual payment		**(20,327)**	(19,351)
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment			
– Arising from recurrent businesses		**7,256**	3,633
– Arising from Mainland China property development		**(9)**	49
		7,247	3,682
Hong Kong property development profit from share of surplus and interest in unsold properties	4	**783**	9,277
Gain/(loss) from fair value measurement of investment properties	5	**1,005**	(2,389)
Operating profit before depreciation, amortisation and variable annual payment		**9,035**	10,570
Depreciation and amortisation		**(3,046)**	(2,773)
Impairment loss	13	**–**	(962)
Variable annual payment		**(1,052)**	(198)
Share of profit of associates and joint ventures	6	**632**	490
Profit before interest, finance charges and taxation		**5,569**	7,127
Interest and finance charges	7	**(589)**	(458)
Profit before taxation		**4,980**	6,669
Income tax	8	**(627)**	(1,741)
Profit for the period		**4,353**	4,928
Attributable to:			
– Shareholders of the Company		**4,178**	4,732
– Non-controlling interests		**175**	196
Profit for the period		**4,353**	4,928
Profit/(loss) for the period attributable to shareholders of the Company:	3		
– Arising from recurrent businesses			
– in Hong Kong		**2,227**	(232)
– outside Hong Kong		**193**	(446)
		2,420	(678)
– Arising from property development			
– in Hong Kong		**712**	7,747
– outside Hong Kong		**20**	39
		732	7,786
– Arising from underlying businesses		**3,152**	7,108
– Arising from fair value measurement of investment properties		**1,026**	(2,376)
		4,178	4,732
Earnings per share:	10		
– Basic		**HK$0.67**	HK$0.76
– Diluted		**HK$0.67**	HK$0.76

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in HK$ million	Note	**Six months ended 30 June 2023 (Unaudited)**	Six months ended 30 June 2022 (Unaudited)
Profit for the period		**4,353**	4,928
Other comprehensive income/(loss) for the period (after taxation and reclassification adjustments):	11		
Item that will not be reclassified to profit or loss:			
– Surplus/(loss) on revaluation of self-occupied land and buildings		**18**	(21)
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		**(738)**	(951)
– non-controlling interests		**(4)**	(9)
– Cash flow hedges: net movement in hedging reserve		**(43)**	313
		(785)	(647)
		(767)	(668)
Total comprehensive income for the period		**3,586**	4,260
Attributable to:			
– Shareholders of the Company		**3,415**	4,073
– Non-controlling interests		**171**	187
Total comprehensive income for the period		**3,586**	4,260

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in HK$ million	Note	**At 30 June 2023 (Unaudited)**	At 31 December 2022 (Audited)
Assets			
Fixed assets			
– Investment properties	12A	**97,432**	91,671
– Other property, plant and equipment	12B	**102,583**	102,297
– Service concession assets	13	**35,733**	35,523
		235,748	229,491
Goodwill and property management rights		**59**	61
Railway construction in progress	15	**1,125**	–
Property development in progress	16	**41,465**	41,269
Deferred expenditure	17	**1,976**	2,540
Interests in associates and joint ventures	18	**12,350**	12,338
Deferred tax assets	25	**600**	606
Investments in securities		**916**	959
Properties held for sale	19	**2,032**	1,888
Derivative financial assets	20	**246**	216
Stores and spares		**2,493**	2,261
Debtors and other receivables	21	**13,045**	13,889
Amounts due from related parties	22	**5,715**	5,429
Cash, bank balances and deposits		**23,956**	16,134
		341,726	327,081
Liabilities			
Short-term loans		**1,919**	1,592
Creditors, other payables and provisions	23	**77,065**	69,692
Current taxation		**1,500**	2,953
Amounts due to related parties	22	**5,858**	592
Loans and other obligations	24	**51,411**	46,254
Obligations under service concession		**10,090**	10,142
Derivative financial liabilities	20	**1,424**	1,104
Loans from holders of non-controlling interests		**137**	140
Deferred tax liabilities	25	**14,661**	14,700
		164,065	147,169
Net assets		**177,661**	179,912
Capital and reserves	26		
Share capital		**60,548**	60,547
Shares held for Executive Share Incentive Scheme		**(268)**	(262)
Other reserves		**116,869**	119,001
Total equity attributable to shareholders of the Company		**177,149**	179,286
Non-controlling interests		**512**	626
Total equity		**177,661**	179,912

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in HK$ million	Note	Share capital	Shares held for Executive Share Incentive Scheme	Other reserves: Fixed assets revaluation reserve	Other reserves: Hedging reserve	Other reserves: Employee share-based capital reserve	Other reserves: Exchange reserve	Retained profits	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
30 June 2023 (Unaudited)											
Balance as at 1 January 2023 (Audited)		**60,547**	**(262)**	**3,824**	**87**	**146**	**(1,284)**	**116,228**	**179,286**	**626**	**179,912**
Changes in equity for the six months ended 30 June 2023:											
– Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**4,178**	**4,178**	**175**	**4,353**
– Other comprehensive income/(loss) for the period		**–**	**–**	**18**	**(43)**	**–**	**(738)**	**–**	**(763)**	**(4)**	**(767)**
– Total comprehensive income/(loss) for the period		**–**	**–**	**18**	**(43)**	**–**	**(738)**	**4,178**	**3,415**	**171**	**3,586**
– 2022 final ordinary dividend	9	**–**	**–**	**–**	**–**	**–**	**–**	**(5,520)**	**(5,520)**	**–**	**(5,520)**
– Shares purchased for Executive Share Incentive Scheme	26B	**–**	**(91)**	**–**	**–**	**–**	**–**	**–**	**(91)**	**–**	**(91)**
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	26B	**1**	**85**	**–**	**–**	**(84)**	**–**	**(2)**	**–**	**–**	**–**
– Employee share-based payments		**–**	**–**	**–**	**–**	**59**	**–**	**–**	**59**	**–**	**59**
– Dividend to holders of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(285)**	**(285)**
Balance as at 30 June 2023 (Unaudited)		**60,548**	**(268)**	**3,842**	**44**	**121**	**(2,022)**	**114,884**	**177,149**	**512**	**177,661**
31 December 2022 (Audited)											
Balance as at 1 January 2022 (Audited)		60,184	(245)	3,781	2	124	429	115,439	179,714	323	180,037
Changes in equity for the six months ended 30 June 2022:											
– Profit for the period		–	–	–	–	–	–	4,732	4,732	196	4,928
– Other comprehensive (loss)/income for the period		–	–	(21)	313	–	(951)	–	(659)	(9)	(668)
– Total comprehensive (loss)/income for the period		–	–	(21)	313	–	(951)	4,732	4,073	187	4,260
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	1	–	–	–	1	–	1
– 2021 final ordinary dividend	9	–	–	–	–	–	–	(6,317)	(6,317)	–	(6,317)
– Shares purchased for Executive Share Incentive Scheme	26B	–	(109)	–	–	–	–	–	(109)	–	(109)
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	26B	4	86	–	–	(86)	–	(4)	–	–	–
– Employee share-based payments		–	–	–	–	56	–	–	56	–	56
Balance as at 30 June 2022 (Unaudited)		60,188	(268)	3,760	316	94	(522)	113,850	177,418	510	177,928
Changes in equity for the six months ended 31 December 2022:											
– Profit for the period		–	–	–	–	–	–	5,095	5,095	118	5,213
– Other comprehensive income/(loss) for the period		–	–	64	(231)	–	(762)	(117)	(1,046)	(2)	(1,048)
– Total comprehensive income/(loss) for the period		–	–	64	(231)	–	(762)	4,978	4,049	116	4,165
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	2	–	–	–	2	–	2
– Shares issued in respect of scrip dividend of 2021 final ordinary dividend		246	(2)	–	–	–	–	2	246	–	246
– 2022 interim ordinary dividend	9	–	–	–	–	–	–	(2,604)	(2,604)	–	(2,604)
– Shares issued in respect of scrip dividend of 2022 interim ordinary dividend		113	(1)	–	–	–	–	1	113	–	113
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme		–	9	–	–	(10)	–	1	–	–	–
– Employee share-based payments		–	–	–	–	62	–	–	62	–	62
Balance as at 31 December 2022 (Audited)		60,547	(262)	3,824	87	146	(1,284)	116,228	179,286	626	179,912

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

CONSOLIDATED STATEMENT OF CASH FLOWS

in HK$ million	Note	**Six months ended 30 June 2023 (Unaudited)**		Six months ended 30 June 2022 (Unaudited)	
Cash flows from operating activities					
Cash generated from operations	28	**6,094**		4,617	
Purchase of tax reserve certificates		**(57)**		(57)	
Current tax paid					
– Hong Kong Profits Tax paid		**(1,949)**		(488)	
– Tax paid outside Hong Kong		**(218)**		(297)	
Net cash generated from operating activities			**3,870**		3,775
Cash flows from investing activities					
Capital expenditure					
– Purchase of assets for Hong Kong transport and related operations		**(3,744)**		(2,928)	
– Hong Kong railway extension projects		**(770)**		(641)	
– Shenzhen Metro Line 13 Project		**(109)**		(97)	
– Investment property projects and fitting out work		**(512)**		(288)	
– Other capital projects		**(65)**		(99)	
		(5,200)		(4,053)	
Variable annual payment		**(323)**		(260)	
Receipts in respect of property development		**5,043**		11,520	
Payments in respect of property development		**(510)**		(368)	
Increase in bank deposits with more than three months to maturity when placed or pledged, and structured bank deposits		**(346)**		(4,676)	
Investments in associates and joint ventures		**(21)**		(406)	
Dividends and distribution received from associates		**204**		195	
Others		**22**		(6)	
Net cash (used in)/generated from investing activities			**(1,131)**		1,946
Cash flows from financing activities					
Purchase of shares for Executive Share Incentive Scheme		**(91)**		(109)	
Proceeds from loans and capital market instruments		**46,041**		8,939	
Repayment of loans and capital market instruments		**(40,124)**		(12,857)	
Interest and finance charges paid		**(826)**		(447)	
Interest received		**263**		104	
Capital element of lease rentals paid		**(131)**		(101)	
Dividend paid to holders of non-controlling interests		**(285)**		–	
Net cash generated from/(used in) financing activities			**4,847**		(4,471)
Net increase in cash and cash equivalents			**7,586**		1,250
Cash and cash equivalents at 1 January			**10,241**		10,752
Effect of exchange rate changes			**(110)**		(475)
Cash and cash equivalents at 30 June			**17,717**		11,527
Analysis of the balances of cash and cash equivalents					
Cash, bank balances and deposits on the consolidated statement of financial position			**23,956**		26,439
Bank deposits with more than three months to maturity when placed or pledged			**(5,156)**		(14,894)
Structured bank deposits			**(1,083)**		–
Bank overdrafts			**–**		(18)
Cash and cash equivalents in the consolidated statement of cash flows			**17,717**		11,527

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 Basis of Preparation

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

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

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

This interim financial report contains the condensed consolidated interim financial statements and selected explanatory notes, which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates and joint ventures since the issuance of the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the 2022 annual financial statements.

The financial information relating to the financial year ended 31 December 2022 included in this interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements 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 financial statements for the year ended 31 December 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.
- The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

On 4 July 2023, the HKICPA issued guidance on the accounting considerations for the mandatory provident fund – long service payment offsetting mechanism in Hong Kong, and the abolition of such mechanism, which was gazetted by the Government of the Hong Kong Special Administrative Region (the "HKSAR Government" or "Government") on 9 June 2022. The Group has not yet implemented the accounting policy change brought by the HKICPA guidance on the basis that additional time and efforts are required to collate the necessary data and to implement the policy change. Please refer to note 30 for further details.

The accounting policies adopted for the preparation of this interim financial report are the same as those adopted in the preparation of the 2022 annual financial statements.

2 Revenue and Expenses relating to Mainland China and International Subsidiaries

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

	Six months ended 30 June 2023		Six months ended 30 June 2022	
in HK$ million	Revenue	Expenses	Revenue	Expenses
Melbourne Train	**7,232**	**6,684**	6,742	6,162
Sydney Metro North West	**410**	**372**	306	279
Sydney Metro City & Southwest	**772**	**751**	1,203	1,090
MTR Nordic	**2,394**	**2,691**	2,798	2,810
London Elizabeth Line	**1,408**	**1,338**	1,283	1,189
Shenzhen Metro Line 4 ("SZL4")	**381**	**291**	337	294
Shenzhen Metro Line 13 (note 13A)	**109**	**109**	90	90
Others	**373**	**311**	391	313
	13,079	**12,547**	13,150	12,227
Property development in Mainland China	**–**	**9**	138	89
Total Mainland China and international subsidiaries	**13,079**	**12,556**	13,288	12,316

2 Revenue and Expenses relating to Mainland China and International Subsidiaries *(continued)*

MTR Nordic comprises the Mälartåg, MTR Tech, MTRX, Stockholm Commuter Rail ("Stockholms pendeltåg") and Stockholm Metro operations in Sweden. MTRX operations were stable during the six months ended 30 June 2023. However, due to various challenges, the Group is exploring other options for this business including divestment. Separately, Stockholms pendeltåg continued to face challenges from a shortage of local drivers and maintenance issues during the reporting period and the Group is studying options for this business. As previously announced by the Stockholm Transport Authority, this contract will not be extended when it ends in 2026. Mälartåg operations over the six months ended 30 June 2023 were also impacted by the shortage of local drivers and maintenance issues. If the improvement in financial performance of Mälartåg in the near term falls short of expectation, the financial sustainability of this contract may be impacted and a loss provision would need to be considered. The Group is currently studying options as to the way forward of this business.

3 Segmental Information

The Group's businesses consist of (i) recurrent businesses (comprising Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, and other businesses (collectively referred to as "recurrent businesses in Hong Kong"), and Mainland China and international railway, property rental and management businesses (referred as "recurrent businesses outside of Hong Kong"), and both excluding fair value measurement of investment properties) 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 Mainland China at Lo Wu and Lok Ma Chau, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) ("High Speed Rail"), light rail and bus feeder with railway system in the north-west New Territories and intercity railway transport with certain cities in 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 Mainland China.

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

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

3 Segmental Information *(continued)*

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

	Hong Kong transport services				Mainland China and international affiliates				
in HK$ million	Hong Kong transport operations	Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development	Mainland China and international railway, property rental and management businesses	Mainland China property development	Other businesses	Un-allocated amount	Total
Six months ended 30 June 2023									
Revenue from contracts with customers within the scope of HKFRS 15	**9,342**	**780**	**170**	**–**	**13,012**	**–**	**277**	**–**	**23,581**
– Recognised at a point in time	**8,670**	**13**	**–**	**–**	**2,272**	**–**	**149**	**–**	**11,104**
– Recognised over time	**672**	**767**	**170**	**–**	**10,740**	**–**	**128**	**–**	**12,477**
Revenue from other sources	**–**	**1,635**	**2,286**	**–**	**67**	**–**	**5**	**–**	**3,993**
Total revenue	**9,342**	**2,415**	**2,456**	**–**	**13,079**	**–**	**282**	**–**	**27,574**
Operating expenses	**(6,662)**	**(255)**	**(458)**	**–**	**(12,547)**	**(9)**	**(240)**	**–**	**(20,171)**
Project study and business development expenses	**–**	**–**	**–**	**–**	**(128)**	**–**	**–**	**(28)**	**(156)**
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	**2,680**	**2,160**	**1,998**	**–**	**404**	**(9)**	**42**	**(28)**	**7,247**
Hong Kong property development profit from share of surplus and interest in unsold properties	**–**	**–**	**–**	**783**	**–**	**–**	**–**	**–**	**783**
Gain/(loss) from fair value measurement of investment properties	**–**	**–**	**1,089**	**–**	**(84)**	**–**	**–**	**–**	**1,005**
Operating profit/(loss) before depreciation, amortisation and variable annual payment	**2,680**	**2,160**	**3,087**	**783**	**320**	**(9)**	**42**	**(28)**	**9,035**
Depreciation and amortisation	**(2,644)**	**(123)**	**(5)**	**–**	**(242)**	**–**	**(32)**	**–**	**(3,046)**
Variable annual payment	**(810)**	**(239)**	**(3)**	**–**	**–**	**–**	**–**	**–**	**(1,052)**
Share of profit of associates and joint ventures	**–**	**–**	**–**	**–**	**362**	**–**	**270**	**–**	**632**
(Loss)/profit before interest, finance charges and taxation	**(774)**	**1,798**	**3,079**	**783**	**440**	**(9)**	**280**	**(28)**	**5,569**
Interest and finance charges	**–**	**–**	**–**	**–**	**(11)**	**37**	**–**	**(615)**	**(589)**
Income tax	**–**	**–**	**–**	**(71)**	**(124)**	**(8)**	**–**	**(424)**	**(627)**
(Loss)/profit for the six months ended 30 June 2023	**(774)**	**1,798**	**3,079**	**712**	**305**	**20**	**280**	**(1,067)**	**4,353**

3 Segmental Information *(continued)*

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

Profit attributable to shareholders of the Company arising from recurrent businesses in Hong Kong for the six months ended 30 June 2023 of HK$2,227 million (2022: loss of HK$232 million) represents (i) the profit for the period of HK$3,294 million (2022: HK$242 million) arising from recurrent businesses in Hong Kong (after excluding gain from fair value measurement of investment properties of HK$1,089 million (2022: loss of HK$2,336 million)) and (ii) un-allocated expenses of HK$1,067 million (2022: HK$474 million) in Hong Kong.

Profit attributable to shareholders of the Company arising from recurrent businesses outside Hong Kong for the six months ended 30 June 2023 of HK$193 million (2022: loss of HK$446 million) represents (i) the profit for the period of HK$368 million (2022: loss of HK$250 million) arising from recurrent business outside Hong Kong (after excluding loss from fair value measurement of investment properties of HK$84 million (2022: HK$53 million) and related income tax credit of HK$21 million (2022: HK$13 million)), and (ii) net of profit attributable to non-controlling interests of HK$175 million (2022: HK$196 million).

Profit attributable to shareholders of the Company arising from fair value measurement of investment properties for the six months ended 30 June 2023 of HK$1,026 million (2022: loss of HK$2,376 million) represents gain from fair value remeasurement on investment properties of HK$nil (2022: loss of HK$2,389 million), gain from fair value measurement of investment properties on initial recognition from property development of HK$1,005 million (2022: HK$nil) and related income tax credit of HK$21 million (2022: HK$13 million).

3 Segmental Information *(continued)*

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

in HK$ million	**Six months ended 30 June 2023**	Six months ended 30 June 2022
Hong Kong SAR (place of domicile)	**14,474**	9,724
Australia	**8,414**	8,251
Mainland China and Macao SAR	**878**	970
Sweden	**2,394**	2,798
United Kingdom	**1,414**	1,290
	13,100	13,309
	27,574	23,033

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

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

in HK$ million	**Six months ended 30 June 2023**	Six months ended 30 June 2022
Share of surplus and interest in unsold properties from property development	**786**	9,161
Agency fee and other income from West Rail property development	**4**	122
Overheads and miscellaneous studies	**(7)**	(6)
Hong Kong property development profit (pre-tax)	**783**	9,277
Hong Kong property development profit (post-tax)	**712**	7,747

Profit attributable to shareholders of the Company arising from Hong Kong property development for the six months ended 30 June 2023 of HK$712 million (2022: HK$7,747 million) represents Hong Kong property development profit of HK$783 million (2022: HK$9,277 million) and related income tax expenses of HK$71 million (2022: HK$1,530 million).

5 Gain/(Loss) from Fair Value Measurement of Investment Properties

Gain/(loss) from fair value measurement of investment properties comprises:

in HK$ million	**Six months ended 30 June 2023**	Six months ended 30 June 2022
Loss from fair value remeasurement on investment properties	**–**	(2,389)
Gain from fair value measurement of investment properties on initial recognition from property development	**1,005**	–
	1,005	(2,389)

During the six months ended 30 June 2023, investment property with a carrying value of HK$5.2 billion was initially recognised upon the receipt of a shopping mall from a property development project.

Taking into account the outstanding risks and obligations of HK$4.0 billion retained by the Group and HK$0.2 billion cost incurred/to be incurred by the Group in connection with this property development, in accordance with the Group's accounting policies, HK$1.0 billion was recognised as gain from fair value measurement of investment properties on initial recognition from property development in profit or loss for the six months ended 30 June 2023. Deferred income of HK$4.0 billion retained was recognised in the Group's consolidated statement of financial position and included in "Creditors, other payables and provisions" (note 23).

The outstanding risks and obligations retained by the Group will be reassessed at the end of each reporting period. Any reduction in the amount of outstanding risks and obligations will be accounted for as a decrease in deferred income and a corresponding "Gain from fair value measurement of investment properties on initial recognition from property development" in profit or loss of that reporting period.

6 Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures comprises:

in HK$ million	**Six months ended 30 June 2023**	Six months ended 30 June 2022
Share of profit before taxation	**900**	822
Share of income tax expenses	**(268)**	(332)
	632	490

7 Interest and Finance Charges

Interest and finance charges comprise:

in HK$ million	**Six months ended 30 June 2023**		Six months ended 30 June 2022	
Interest expenses in respect of:				
– Bank loans, overdrafts and capital market instruments	**797**		428	
– Obligations under service concession	**341**		344	
– Lease liabilities	**21**		23	
– Others	**21**		21	
Finance charges	**22**		21	
Exchange gain	**(22)**		(152)	
		1,180		685
Utilisation of government subsidy for SZL4 operation		**–**		(21)
Derivative financial instruments:				
– Fair value hedges	**(2)**		(17)	
– Cash flow hedges:				
– transferred from hedging reserve to interest expenses	**(11)**		(11)	
– transferred from hedging reserve to offset exchange gain	**45**		163	
– Derivatives not qualified for hedge accounting	**16**		(7)	
		48		128
Interest expenses capitalised		**(283)**		(177)
		945		615
Interest income in respect of:				
– Deposits with banks	**(302)**		(119)	
– Others	**(54)**		(38)	
		(356)		(157)
		589		458

8 Income Tax

Income tax in the consolidated statement of profit or loss represents:

in HK$ million	**Six months ended 30 June 2023**	Six months ended 30 June 2022
Current tax		
– Hong Kong Profits Tax	**525**	1,583
– Tax outside Hong Kong	**138**	342
	663	1,925
Deferred tax		
– Origination and reversal of temporary differences on:		
– tax losses	**(57)**	(24)
– depreciation allowances in excess of related depreciation	**(17)**	(5)
– revaluation of properties	**(9)**	(9)
– provisions and others	**47**	(146)
	(36)	(184)
	627	1,741

A Except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime in Hong Kong, the provision for Hong Kong Profits Tax for the six months ended 30 June 2023 is calculated at 16.5% (2022: 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 2022.

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% (2022: 16.5%), while that arising outside Hong Kong is calculated at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

B Since the Rail Merger in 2007, the Company has claimed annual Hong Kong Profits Tax deductions in respect of the amortisation of upfront payment and cut-over liabilities, and fixed annual payments and variable annual payments relating to the Rail Merger (collectively "the Sums"). The total tax amount in respect of the Sums for the years of tax assessment from 2007/2008 to the first six months of 2023/2024 amounted to HK$4.9 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. The hearing before the Board of Review is scheduled to be held in early 2024.

9 Dividends

Ordinary dividends to shareholders of the Company are as follows:

in HK$ million	**Six months ended 30 June 2023**	Six months ended 30 June 2022
Ordinary dividends attributable to the period		
– Interim ordinary dividend declared after the end of the reporting period of HK$0.42 (2022: HK$0.42) per share	**2,610**	2,604
Ordinary dividends attributable to the previous year		
– Final ordinary dividend of HK$0.89 (2022: HK$1.02 per share attributable to year 2021) per share approved and payable during the reporting period	**5,520**	6,317

The 2023 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.

For 2023 interim ordinary dividend, the Board resolved that a scrip dividend option will be offered to all shareholders of the Company whose names appeared on the register of members of the Company as at the close of business on 30 August 2023 (except for those with registered addresses in New Zealand or the United States of America or any of its territories or possessions).

The Company has recognised 2022 final ordinary dividend payable of HK$4,124 million to the Financial Secretary Incorporated (the "FSI") of the HKSAR Government and HK$1,396 million to other shareholders in the "Amounts due to related parties" (note 22) and "Creditors, other payables and provisions" (note 23) respectively in the consolidated statement of financial position as at 30 June 2023.

10 Earnings Per Share

A Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2023 of HK$4,178 million (2022: HK$4,732 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme, which is calculated as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Issued ordinary shares at 1 January and 30 June	**6,202,060,784**	6,193,462,514
Less: Shares held for Executive Share Incentive Scheme	**(5,808,651)**	(5,378,222)
Weighted average number of ordinary shares less shares held for Executive Share Incentive Scheme for the six months ended 30 June	**6,196,252,133**	6,188,084,292

B Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2023 of HK$4,178 million (2022: HK$4,732 million) and the weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme after adjusting for the dilutive effect of the Company's Executive Share Incentive Scheme, which is calculated as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Weighted average number of ordinary shares less shares held for Executive Share Incentive Scheme for the six months ended 30 June	**6,196,252,133**	6,188,084,292
Effect of shares awarded under Executive Share Incentive Scheme	**6,089,105**	5,787,213
Weighted average number of shares (diluted) for the six months ended 30 June	**6,202,341,238**	6,193,871,505

C

Both basic and diluted earnings per share would have been HK$0.51 (2022: HK$1.15) if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK$3,152 million (2022: HK$7,108 million).

11 Other Comprehensive Income/(Loss)

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

in HK$ million	Six months ended 30 June 2023 Before-tax amount	Six months ended 30 June 2023 Tax (expenses)/credit	Six months ended 30 June 2023 Net-of-tax amount	Six months ended 30 June 2022 Before-tax amount	Six months ended 30 June 2022 Tax credit/(expenses)	Six months ended 30 June 2022 Net-of-tax amount
Exchange differences on translation of:						
– Financial statements of subsidiaries, associates and joint ventures outside Hong Kong	**(738)**	**–**	**(738)**	(951)	–	(951)
– Non-controlling interests	**(4)**	**–**	**(4)**	(9)	–	(9)
	(742)	**–**	**(742)**	(960)	–	(960)
Surplus/(loss) on revaluation of self-occupied land and buildings (note 12B)	**22**	**(4)**	**18**	(25)	4	(21)
Cash flow hedges: net movement in hedging reserve (note 11B)	**(51)**	**8**	**(43)**	375	(62)	313
Other comprehensive (loss)/income	**(771)**	**4**	**(767)**	(610)	(58)	(668)

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

in HK$ million	Six months ended 30 June 2023	Six months ended 30 June 2022
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**(97)**	213
Amounts transferred to profit or loss during the period:		
– Interest and finance charges (note 7)	**34**	152
– Other expenses	**12**	10
Deferred tax on the above items	**8**	(62)
	(43)	313

12 Investment Properties and Other Property, Plant and Equipment

A Investment Properties

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

Movements of the Group's investment properties, all of which being held in Hong Kong and Mainland China and carried at fair value, are as follows:

in HK$ million	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022 (Audited)
At 1 January	**91,671**	84,801
Additions*	**5,776**	9,977
Fair value remeasurement on investment properties (note 5)	**–**	(3,076)
Exchange loss	**(15)**	(31)
At 30 June/31 December	**97,432**	91,671

* Additions for the six months ended 30 June 2023 include the fair value measurement of investment properties on initial recognition from property development of HK$5,211 million (note 5) (for the year ended 31 December 2022: HK$9,186 million) and transfer from deferred expenditure of HK$92 million (for the year ended 31 December 2022: HK$398 million).

Investment properties are remeasured semi-annually and future market condition changes may result in further gains or losses to be recognised through consolidated statement of profit or loss in subsequent periods.

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

B Other Property, Plant and Equipment

(i) Acquisitions of Owned Assets

During the six months ended 30 June 2023, the Group acquired assets (other than right-of-use assets) at a total cost of HK$2,322 million before offset by government grant (2022: HK$1,790 million).

(ii) Valuation

All of the Group's self-occupied land and buildings are held in Hong Kong and carried at fair value. All self-occupied land and buildings were revalued by using primarily the direct comparison approach assuming sale of properties in their existing state with vacant possession at the reporting date by an independent firm of surveyors, Colliers International (Hong Kong) Limited. The valuation resulted in a revaluation surplus of HK$22 million (2022: loss of HK$25 million) and related deferred tax expenses of HK$4 million (2022: related deferred tax credit of HK$4 million), which has been recognised in other comprehensive income (note 11A) and accumulated in the fixed assets revaluation reserve account.

C Right-of-use Assets

During the six months ended 30 June 2023, additions to right-of-use assets were HK$5,814 million (2022: HK$324 million). This amount primarily related to additions of leasehold investment properties of HK$5,776 million (note 12A) (2022: HK$98 million) and plant and equipment leased of HK$24 million (2022: HK$200 million).

13 Service Concession Assets

A During the six months ended 30 June 2023, the Group incurred HK$1,174 million (2022: HK$1,113 million) of expenditure for the replacement and upgrade of the Kowloon-Canton Railway Corporation ("KCRC") system ("Additional Concession Property") under the service concession arrangement in the Rail Merger, HK$39 million (2022: HK$44 million) and HK$43 million (2022: HK$22 million) of expenditure for the replacement and upgrade of the concession property of the High Speed Rail ("Additional Concession Property (High Speed Rail)") and the Shatin to Central Link ("Additional Concession Property (SCL)") respectively under the supplemental service concession arrangements with KCRC, as well as HK$109 million (2022: HK$90 million) of expenditure for asset additions in respect of Shenzhen Metro Line 13.

B 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 2023, 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.

At 30 June 2022, as it was 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 statement of profit or loss for the six months ended 30 June 2022. The recoverable amount for impairment had been determined based on a value in use calculation covering the remaining service concession period. An estimated pre-tax discount rate of 9.2% was used in estimating SZL4's value in use as at 30 June 2022.

Based on the review performed by the Group as at 30 June 2023, no further impairment loss was recognised as at 30 June 2023.

14 Railway Construction Projects under Entrustment by the HKSAR Government

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

(a) Entrustment Agreements

The HKSAR Government and the Company entered into the HSR Preliminary Entrustment Agreement in 2008, and the HSR Entrustment Agreement in 2010 (together, the "**Entrustment Agreements**"), in relation to the HSR.

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.

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).

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 Entrustment Agreements (other than for death or personal injury) is subject to a cap equal to the total of HSR Project Management Fee and any other fees that the Company receives under the HSR Entrustment Agreement and certain fees received by the Company under the HSR Preliminary Entrustment Agreement (the "**Liability Cap**"). In accordance with general principles of law, such Liability Cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has reserved the right to refer to arbitration the question of the Company's liability for the Current Cost Overrun (as defined hereunder) (if any) under the HSR Preliminary Entrustment Agreement and the HSR Entrustment Agreement (as more particularly described in note 14A(b)(v) below), up to the date of this interim financial report, no claim has been received from the HKSAR Government.

(b) HSR Agreement

In 2015, as a result of the HSR programme being extended to the third quarter of 2018 and the Company and the HKSAR Government reaching agreement for revising the estimate project cost to HK$84.42 billion (the "**Revised Cost Estimate**"), the HKSAR Government and the Company entered into an agreement (the "**HSR Agreement**") relating to the further funding and completion of the HSR (and which made certain changes to the HSR Entrustment Agreement) which was subsequently approved by the Company's independent shareholders at an extraordinary general meeting, and the Legislative Council approved the HKSAR Government's additional funding obligations, during 2016. Pursuant to the HSR Agreement:

(i) The HKSAR Government will bear and finance the project cost up to HK$84.42 billion, which includes an increase in the project cost by the amount of HK$19.42 billion being the "**Current Cost Overrun**";

(ii) The Company will, if the project cost 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 would pay a special dividend in cash of HK$4.40 in aggregate per share in two tranches in 2016 and 2017;

(iv) The HSR Project Management Fee increases from HK$4.59 billion to HK$6.34 billion. Consequently, the Liability Cap increases from up to HK$4.94 billion to up to HK$6.69 billion; and

(v) 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 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. 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.

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

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

(c) As at 30 June 2023, the Company has not made any provision in its consolidated financial statements 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;

(ii) any possible liability of the Company that may be determined in accordance with any arbitration that may take place (as more particularly described in note 14A(b)(v) 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 2023 and up to the date of this interim financial report; (b) the Company has the benefit of the Liability Cap; and (c) as a result of the HSR Agreement, the Company will not make any payment to the HKSAR Government in excess of the Liability Cap pursuant to a determination of the arbitrator without the approval of its independent shareholders; and where applicable, because the Company is not able to measure with sufficient reliability the amount of the Company's obligation or liability (if any).

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 2023, HK$39 million (2022: HK$77 million) of such costs were incurred by the Company, which are payable by the HKSAR Government. As at 30 June 2023, the amount of such costs which remained outstanding from the HKSAR Government was HK$206 million (31 December 2022: HK$209 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**") which has been fully received by the Company and recognised in the consolidated statement of profit or loss 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, including issues such as delays due to the discovery of archaeological relics, the HKSAR Government's requests for additional scope and late or incomplete handover of construction sites, 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. After carrying out detailed reviews of the estimated CTC for the main construction works, on 10 February 2020, the Company submitted a revised estimated total CTC of HK$82,999 million ("**2020 CTC Estimate**"), including additional project management fee payable to the Company of HK$1,371 million ("**Additional PMC**"), being the additional cost to the Company of carrying out its remaining project management responsibilities under the SCL EA3, as detailed in note 14B(b)(ii) below but excluding the Hung Hom Incidents Related Costs in respect of which the Company had already recognised a provision of HK$2 billion in its consolidated statement of profit or loss for the year ended 31 December 2019 (as detailed in note 14B(c)(ii) below). The 2020 CTC Estimate represents an increase of HK$12,172 million from the Original Entrusted Amount of HK$70,827 million.

The HKSAR Government obtained the approval from Legislative Council on 12 June 2020 for additional funding required for the SCL Project amounting to HK$10,801 million ("**Additional Funding**") so that the SCL can be completed.

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

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

(ii) Provision for Additional PMC

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

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 (which the Company has continued and will continue to comply with) 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.

After taking into account the matters described above, and in particular, the Company meeting, on an interim and without prejudice basis (on the basis outlined above), the cost to the Company of continuing to comply with its project management obligations, the Group recognised a provision of HK$1,371 million in its consolidated statement of profit or loss for the year ended 31 December 2020 for the estimated additional cost to the Company of continuing to comply with its project management responsibilities. During the six months ended 30 June 2023, the provision utilised amounted to HK$93 million (2022: HK$168 million) and no provision was written back (2022: HK$nil). As at 30 June 2023, the provision of HK$386 million (31 December 2022: HK$479 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 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 statement of profit or loss 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**").

*(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.

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

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

(ii) Provision for the Hung Hom Incidents Related Costs

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

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

After taking into account the matters described in note 14B(c) above, and in particular, the Company's decision to fund, on an interim and without prejudice basis, the Hung Hom Incidents Related Costs, the Company recognised a provision of HK$2,000 million in its consolidated statement of profit or loss for the year ended 31 December 2019. During the six months ended 30 June 2023, the provision utilised amounted to HK$24 million (2022: HK$66 million) and no provision was written back (2022: HK$nil). As at 30 June 2023, the provision of HK$803 million (31 December 2022: HK$827 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 statement of profit or loss in that financial period.

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

The HKSAR Government has the right to claim against the Company if the Company breaches the SCL Agreements (including, if the Company breaches the warranties it gave in respect of its project management services) and, under each SCL Agreement, to be indemnified by the Company in relation to losses incurred by the HKSAR Government as a result of the negligence of the Company in performing its obligations under the relevant SCL Agreement or breach thereof by the Company. Under the SCL EA3, the Company's total aggregate liability to the HKSAR Government arising out of or in connection with the SCL Agreements (other than for death or personal injury) is subject to a cap equal to the fees that the Company receives under the SCL Agreements. In accordance with general principles of law, such cap could not be relied upon if the Company were found to be liable for the fraudulent or other dishonest conduct of its employees or agents, to the extent that the relevant loss had been caused by such fraudulent or other dishonest conduct. Although the HKSAR Government has stated that it reserves all rights to pursue further actions against the Company and related contractors and has made the statements in its closing submission to the COI (as stated in note 14B(c)(i) above), up to the date of this interim financial report, no claim has been received from the HKSAR Government in relation to any SCL Agreement. It is uncertain as to whether such claim will be made against the Company in the future and, if made, the nature and amount of such claim.

The eventual outcome of the discussions between the Company and the HKSAR Government on various matters 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 2023 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.

15 Railway Construction in Progress

Movements of railway construction in progress of the Group during the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

in HK$ million	Balance at 1 January	Additions	Utilisation of government grant	Balance at 30 June/ 31 December
At 30 June 2023 (Unaudited)				
Oyster Bay Station	**–**	**71**	**(71)**	**–**
Tung Chung Line Extension	**–**	**1,125**	**–**	**1,125**
	–	**1,196**	**(71)**	**1,125**
At 31 December 2022 (Audited)				
Oyster Bay Station	–	98	(98)	–

The additions represent capital expenditure incurred and transferred from deferred expenditure.

The Oyster Bay Station project is targeted to complete in 2030. Total capital cost for the Oyster Bay Station project based on the defined scope of works and programme is estimated at HK$6.5 billion. As at 30 June 2023, the Company has incurred cumulative expenditure of HK$169 million (31 December 2022: HK$98 million), which was wholly offset by the government grant, and has authorised outstanding commitments totalling HK$6.3 billion in relation to the Oyster Bay Station project which are included in "Capital Commitments" (note 29A).

The Tung Chung Line Extension project is targeted to complete in 2029. Total capital cost for Tung Chung Line Extension project based on the defined scope of works and programme is estimated at HK$24.2 billion. As at 30 June 2023, the Company has incurred cumulative expenditure of HK$1,125 million and has authorised outstanding commitments totalling HK$23.1 billion in relation to the Tung Chung Line Extension project which are included in "Capital Commitments" (note 29A).

16 Property Development in Progress

Movements of property development in progress of the Group during the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

in HK$ million	Balance at 1 January	Net additions*	Transfer out to profit or loss	Balance at 30 June/ 31 December
At 30 June 2023 (Unaudited)				
Hong Kong Property Development Projects	**41,269**	**196**	**–**	**41,465**
At 31 December 2022 (Audited)				
Hong Kong Property Development Projects	11,215	41,088	(11,034)	41,269

* The net additions represent expenditure incurred for Hong Kong property development projects, including the amount of land premium, capital expenditure and development costs transferred from deferred expenditure, and be offset by payments received from developers and utilisation of government grant (if any).

17 Deferred Expenditure

As at 30 June 2023, deferred expenditure included costs of HK$1.9 billion (31 December 2022: HK$2.3 billion) mainly incurred for certain railway projects which the project agreements are yet to be reached with the HKSAR Government. The future development of the respective projects is expected to bring future economic benefits to the Group. In the event that in a future period it is no longer considered probable that the corresponding project agreements can be reached, and the costs concerned are no longer considered as recoverable, the costs concerned will be charged to the consolidated statement of profit or loss in that reporting period.

18 Interests in Associates and Joint Ventures

Hangzhou MTR Corporation Limited ("HZMTR"), a 49% owned associate of the Group, operates Hangzhou Metro Line 1 ("HZL1"), the HZL1 Xiasha Extension and HZL1 Airport Extension. HZMTR has been suffering from losses for much of the past several years due to slow growth in patronage and the pandemic. As there is no patronage protection mechanism under this concession agreement, the long-term financial viability of this line will be impacted if patronage remains at a lower level over a further period of time, especially when compounded by the lower average fare resulting from the expanded network.

19 Properties Held for Sale

in HK$ million	**At 30 June 2023 (Unaudited)**	At 31 December 2022 (Audited)
Properties held for sale		
– at cost	**1,547**	1,307
– at net realisable value	**485**	581
	2,032	1,888
Representing:		
Hong Kong property development	**2,021**	1,876
Mainland China property development	**11**	12
	2,032	1,888

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

For Hong Kong property development, the net realisable values as at 30 June 2023 and 31 December 2022 were determined by reference to an open market valuation of the properties as at those dates, undertaken by an independent firm of surveyors, Colliers International (Hong Kong) Limited, who have among their staff Members of the Hong Kong Institute of Surveyors.

Properties held for sale at net realisable value as at 30 June 2023 are stated net of provision of HK$40 million (31 December 2022: HK$43 million) made in order to state these properties at the lower of their cost and estimated net realisable value.

20 Derivative Financial Assets and Liabilities

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

	At 30 June 2023 (Unaudited)		At 31 December 2022 (Audited)	
in HK$ million	Notional amount	Fair value	Notional amount	Fair value
Derivative Financial Assets				
Foreign exchange forwards				
– cash flow hedges	**340**	**7**	178	5
– not qualified for hedge accounting	**241**	**5**	152	5
Cross currency swaps				
– fair value hedges	**698**	**7**	1,213	25
– cash flow hedges	**5,529**	**19**	12,915	45
Interest rate swaps				
– fair value hedges	**8,497**	**49**	5,392	39
– cash flow hedges	**7,123**	**105**	4,442	26
– not qualified for hedge accounting	**1,300**	**54**	2,534	71
	23,728	**246**	26,826	216
Derivative Financial Liabilities				
Foreign exchange forwards				
– fair value hedges	**–**	**–**	1,475	(6)
– cash flow hedges	**1,796**	**(31)**	383	(30)
– not qualified for hedge accounting	**362**	**(18)**	223	(18)
Cross currency swaps				
– fair value hedges	**7,011**	**(435)**	4,565	(261)
– cash flow hedges	**17,034**	**(738)**	9,649	(600)
Interest rate swaps				
– fair value hedges	**7,828**	**(157)**	2,401	(142)
– not qualified for hedge accounting	**534**	**(45)**	300	(47)
	34,565	**(1,424)**	18,996	(1,104)
Total	**58,293**		45,822	

21 Debtors and Other Receivables

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

(i) The majority of fare revenue from Hong Kong transport operations (except for that from the High Speed Rail as described in note 21(ii) below) is collected either through Octopus Cards and QR code with daily settlement on the next working day or in cash for other ticket types. A small portion of it is collected through pre-sale agents which settle the amounts due within 30 days.

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

(iii) Fare revenue from SZL4 is collected either through Shenzhen Tong Cards or QR code payment with daily settlement on the next working day or in cash for other ticket types. Fare revenue from MTRX in Sweden is collected through a third party financial institution with settlement within 14 days and sales through pre-sale agents are settled in the following month. Service fees from Macao Light Rapid Transit Taipa Line are billed monthly with due dates in accordance with the terms of the service agreement.

(iv) Franchise revenue in Australia is collected either daily or monthly depending on the revenue nature. The majority of the franchise revenue from operations in Sweden is collected in the transaction month with the remainder being collected in the following month. Concession revenue for London Elizabeth Line is collected once every 4 weeks.

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

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

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

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

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

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

in HK$ million	**At 30 June 2023 (Unaudited)**	At 31 December 2022 (Audited)
Amounts not yet due	**4,780**	3,715
Overdue by within 30 days	**200**	210
Overdue by more than 30 days but within 60 days	**61**	74
Overdue by more than 60 days but within 90 days	**66**	27
Overdue by more than 90 days	**182**	284
Total debtors	**5,289**	4,310
Other receivables and contract assets	**7,756**	9,579
	13,045	13,889

Included in other receivables as at 30 June 2023 was HK$672 million (31 December 2022: HK$2,962 million) in respect of property development profit in Hong Kong distributable from stakeholding funds and receivables from property purchasers based on the terms of the development agreements and sales and purchase agreements. In addition, the Company purchased the tax reserve certificates of Hong Kong Profits Tax in respect of certain payments relating to the Rail Merger. Details are set out in note 8B to this interim financial report.

On 23 March 2017, MTR Property (Tianjin) No.1 Company Limited ("MTR TJ No.1") entered into a Framework Agreement comprising, inter alia, a Share Transfer Agreement, with Tianjin Xingtai Jihong Real Estate Co., Ltd. ("TJXJRE"), a wholly-owned subsidiary of Beijing Capital Land Ltd., for the disposal of MTR TJ No.1's 49% equity interest in Tianjin TJ – Metro MTR Construction Company Limited at a consideration of RMB1.3 billion; and MTR TJ No.1's future acquisition of a shopping mall to be developed on the same site at a consideration of RMB1.3 billion. The disposal of equity interest was completed on 10 July 2017 and consequently a prepayment is recognised on the Group's consolidated statement of financial position.

The construction of this shopping mall is targeted for completion in 2024. The Group is now studying possible strategic options of this mall in light of the challenging retail property market conditions. A performance bond in the amount of RMB1.6 billion (HK$1.7 billion) issued by a Hong Kong licensed bank has been provided by TJXJRE to MTR TJ No.1 to guarantee its obligations under the Framework Agreement.

22 Material Related Party Transactions

The FSI of the HKSAR Government, which holds approximately 74.72% of the Company's issued share capital on trust for the HKSAR Government as at 30 June 2023, is the majority shareholder of the Company. Transactions between the Group and the HKSAR Government departments or agencies, or entities controlled by the HKSAR Government, other than those transactions such as the payment of fees, taxes, leases and rates, etc. that arise in the normal dealings between the HKSAR Government and the Group, are considered to be related party transactions pursuant to HKAS 24, *Related Party Disclosures*, and are identified separately in this interim financial report.

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

in HK$ million	**At 30 June 2023 (Unaudited)**	At 31 December 2022 (Audited)
Amounts due from:		
– HKSAR Government	**1,024**	1,017
– KCRC	**4,409**	4,157
– associates	**282**	255
	5,715	5,429
Amounts due to:		
– HKSAR Government	**4,259**	145
– KCRC	**1,537**	387
– associates	**62**	60
	5,858	592

As at 30 June 2023, the amount due from the HKSAR Government mainly related to the recoverable cost for the advanced works in relation to the Shatin to Central Link, reimbursable costs for the essential public infrastructure works in respect of the South Island Line, reimbursement of the fare revenue difference in relation to the "Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities", agency fee receivables and reimbursable costs in respect of West Rail property development, as well as receivables and retention for other entrustment and maintenance works.

The amount due to the HKSAR Government as at 30 June 2023 mainly related to the 2022 final ordinary dividend payable (note 9) amounting to HK$4,124 million as well as the land administrative fees in relation to railway extensions.

As at 30 June 2023, the amount due from KCRC mainly related to the revenue receivable in respect of High Speed Rail and Shatin to Central Link under relevant supplemental service concession agreements. The amount due to KCRC mainly related to the accrued portion of the fixed annual payment and variable annual payment arising from the Rail Merger and operating arrangements of the High Speed Rail and Shatin to Central Link.

Major related party transactions entered into by the Group which are relevant for the current period includes transactions entered into by the Group with the HKSAR Government in prior years and those with KCRC in respect of the Rail Merger and operating arrangements of the High Speed Rail and Shatin to Central Link, the details were described in the Group's audited financial statements for the year ended 31 December 2022. During the six months ended 30 June 2023, amounts recoverable or invoiced by the Company under West Rail Agency Agreement is HK$18 million (2022: HK$18 million) and amount payable or paid by the Company under Service Concession Agreement is HK$1,427 million (2022: HK$573 million). Net revenue received or receivable from KCRC in respect of High Speed Rail, Tuen Ma Line and Shatin to Central Link under relevant supplemental service concession agreements amounted to HK$844 million (2022: HK$935 million).

The Company entered into entrustment agreements with the HKSAR Government for the design, site investigation, procurement activities, construction, testing and commissioning of High Speed Rail and Shatin to Central Link. Detailed description of the agreements is provided in notes 14A and 14B. In addition, an amount of HK$240 million was paid/payable to the HKSAR Government (net of amount received/receivable) during the six months ended 30 June 2023 (2022: HK$247 million) under SCL EA3's payment arrangement with the HKSAR Government and relevant contractors.

22 Material Related Party Transactions *(continued)*

On 28 February 2023, the Company entered into a project agreement with the HKSAR Government for the financing, design, construction, completion, pre-operation, operation and maintenance of the Tung Chung Line Extension. Pursuant to the project agreement, total amount of land premium payable by the Company in respect of the proposed property development at new Tung Chung East Station shall be assessed by the Government as the full market value of the site (taking into account the presence of the railway) less a total amount of HK$18,365 million ("Reduction Amount") for the purpose of bridging the funding gap of the Tung Chung Line Extension project. The proposed property development site will be developed in portions and the land premium assessment for each portion will be carried out, at the time of the relevant tender, with a specified tranche of the Reduction Amount being deducted.

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

On 2 July 2020, the Company entered into a contract with the HKAA for the maintenance of the System for a seven-year period effective from 6 January 2021. In respect of the services provided, HK$88 million was recognised as consultancy income during the six months ended 30 June 2023 (2022: HK$84 million).

During the six months ended 30 June 2023, the Group had the following transactions with its associates, namely Octopus Holdings Limited and its subsidiaries ("Octopus Group") (in Hong Kong) and NRT Group Holdings Pty Ltd and its subsidiaries ("NRT Group") (in Australia):

in HK$ million	**Six months ended 30 June 2023**	Six months ended 30 June 2022
Octopus Group		
– Expenses paid or payable in respect of central clearing services provided by Octopus Group	**62**	41
– Fees received or receivable in respect of load agent, Octopus card issuance and refund services, computer equipment and relating services and warehouse storage space provided to Octopus Group	**15**	6
– Dividend received from Octopus Group	**150**	–
NRT Group		
– Fees received or receivable in respect of mobilisation, operations and maintenance as well as design, delivery and integration services provided to NRT Group	**1,147**	1,514

23 Creditors, Other Payables and Provisions

The analysis of creditors by due dates is as follows:

in HK$ million	**At 30 June 2023 (Unaudited)**	At 31 December 2022 (Audited)
Due within 30 days or on demand	**8,636**	8,143
Due after 30 days but within 60 days	**1,741**	2,012
Due after 60 days but within 90 days	**811**	886
Due after 90 days	**4,732**	4,544
	15,920	15,585
Rental and other refundable deposits	**2,508**	2,459
Accrued employee benefits	**1,926**	1,539
Dividends payable to other shareholders	**1,396**	–
Total creditors and accrued charges	**21,750**	19,583
Other payables, deferred income and provisions (notes 14B(b)(ii) & (c)(ii))	**52,878**	47,522
Contract liabilities	**2,437**	2,587
	77,065	69,692

Other payables included contract retentions. Deferred income related to (i) the surplus amounts of payments received from property developers in excess of the balance in property development in progress, (ii) portion of fair value amount of shopping mall received from property development in connection with the outstanding risks and obligations retained by the Group (note 5), as well as (iii) the unutilised government grant of HK$31,051 million (31 December 2022: HK$31,522 million).

24 Loans and Other Obligations

A Bonds and Notes Issued and Redeemed

Notes issued by the Group during the six months ended 30 June 2023 and 2022 comprise:

in HK$ million	**Six months ended 30 June 2023** Principal amount	**Six months ended 30 June 2023** Net consideration received	Six months ended 30 June 2022 Principal amount	Six months ended 30 June 2022 Net consideration received
Debt issuance programme notes	**7,482**	**7,468**	–	–

During the six months ended 30 June 2023, the Group issued RMB345 million (HK$399 million) of listed debt securities (2022: HK$nil). The Group issued HK$5,137 million, RMB400 million (HK$456 million) and USD190 million (HK$1,490 million) of unlisted debt securities in respective currency (2022: HK$nil).

During the six months ended 30 June 2023, the Group did not redeem any of its listed debt securities (2022: redeemed RMB1,350 million (HK$1,606 million)). The Group redeemed RMB350 million (HK$414 million) of its unlisted debt securities (2022: HK$2,230 million and RMB250 million (HK$296 million) in the respective currency).

As at 30 June 2023 and 31 December 2022, there were outstanding debt securities issued by a wholly-owned subsidiary, MTR Corporation (C.I.) Limited ("MTRCI"). The obligations of the debt securities issued by MTRCI are direct, unsecured and unsubordinated to the other unsecured obligations of MTRCI which are unconditionally and irrevocably guaranteed by the Company. The obligations of the Company under the guarantee are direct, unsecured, unconditional, and unsubordinated to other unsecured and unsubordinated obligations of the Company.

B As at 30 June 2023, MTR Corporation (Shenzhen) Limited 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 RMB790 million (HK$853 million) bank loan facility granted to it.

As at 30 June 2023, MTR CREC Metro (Shenzhen) Company Limited, a subsidiary of the Company in 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$3.5 billion) bank loan facility granted to it.

Saved as disclosed above and those disclosed elsewhere in this interim financial report, none of the other assets of the Group was charged or subject to any encumbrance as at 30 June 2023.

25 Deferred Tax Assets and Liabilities

A The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

	Deferred tax arising from					
in HK$ million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Provision and other temporary differences	Cash flow hedges	Tax losses	Total
Balance as at 1 January 2023	**14,033**	**752**	**(574)**	**18**	**(135)**	**14,094**
(Credited)/charged to profit or loss	**(17)**	**(9)**	**47**	**–**	**(57)**	**(36)**
Charged/(credited) to other comprehensive income	**–**	**4**	**–**	**(8)**	**–**	**(4)**
Exchange differences	**(6)**	**(6)**	**14**	**–**	**5**	**7**
Balance as at 30 June 2023 (Unaudited)	**14,010**	**741**	**(513)**	**10**	**(187)**	**14,061**
Balance as at 1 January 2022	13,669	716	(463)	1	(104)	13,819
Charged/(credited) to profit or loss	359	17	(126)	–	(44)	206
Charged/(credited) to other comprehensive income	–	9	(38)	17	–	(12)
Exchange differences	5	10	53	–	13	81
Balance as at 31 December 2022 (Audited)	14,033	752	(574)	18	(135)	14,094

25 Deferred Tax Assets and Liabilities *(continued)*

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

in HK$ million	**At 30 June 2023 (Unaudited)**	At 31 December 2022 (Audited)
Net deferred tax assets	**(600)**	(606)
Net deferred tax liabilities	**14,661**	14,700
	14,061	14,094

26 Share Capital and Shares Held for Executive Share Incentive Scheme

A Share Capital

	Six months ended 30 June 2023 (Unaudited)		Year ended 31 December 2022 (Audited)	
	Number of shares	HK$ million	Number of shares	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**6,202,060,784**	**60,547**	6,193,462,514	60,184
Shares issued in respect of scrip dividend of 2021 final ordinary dividend	**–**	**–**	5,772,961	246
Shares issued in respect of scrip dividend of 2022 interim ordinary dividend	**–**	**–**	2,825,309	113
Vesting of shares of Executive Share Incentive Scheme	**–**	**1**	–	4
At 30 June/31 December	**6,202,060,784**	**60,548**	6,202,060,784	60,547

In accordance with section 135 of the Companies Ordinance, the ordinary shares of the Company do not have a par value.

B Shares Held for Executive Share Incentive Scheme

During the six months ended 30 June 2023, the Company awarded Performance Shares and Restricted Shares under the Company's Executive Share Incentive Scheme to certain eligible employees of the Group. A total of 42,850 Performance Shares and 2,561,550 Restricted Shares were awarded and accepted by the grantees on 11 April 2023 (2022: 132,000 Restricted Shares were awarded and accepted by a grantee on 1 April 2022, and a total of 240,700 Performance Shares and 2,507,250 Restricted Shares were awarded and accepted by the grantees on 8 April 2022). The fair value of these awarded shares was HK$39.10 per share on 11 April 2023 (2022: HK$42.35 per share on 1 April 2022 and HK$42.05 per share on 8 April 2022).

During the six months ended 30 June 2023, 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 2,310,000 Ordinary Shares (2022: 2,560,000 Ordinary Shares) of the Company for a total consideration of approximately HK$91 million (2022: HK$109 million).

During the six months ended 30 June 2023, 1,963,938 award shares (2022: 1,958,452 award shares) were transferred to the awardees under the Executive Share Incentive Scheme upon vesting. The total cost of the vested shares was HK$85 million (2022: HK$86 million). During the six months ended 30 June 2023, HK$1 million (2022: HK$4 million) was credited to share capital in respect of vesting of shares whose fair values at the grant date were higher than the costs of the vested shares. During the six months ended 30 June 2023, 88,376 award shares (2022: 96,119 awards shares) were lapsed/forfeited.

27 Fair Value Measurement

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

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

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

Level 3: Fair value measured using significant unobservable inputs

A Fair Value Measurements of Fixed Assets

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

During the six months ended 30 June 2023 and the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in respect of the Group's investment properties and self-occupied buildings. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

B Fair Value Measurements of Financial Instruments

(i) Financial Assets and Liabilities Carried at Fair Value

Included in the Group's investments in securities as at 30 June 2023, there were HK$261 million (31 December 2022: HK$290 million) of listed debt securities carried at fair value using Level 1 measurements and HK$655 million (31 December 2022: HK$669 million) of unlisted equity securities carried at fair value using Level 3 measurements.

The Group's derivative financial instruments were carried at fair value using Level 2 measurements. As at 30 June 2023, the fair values of derivative financial assets and derivative financial liabilities were HK$246 million (31 December 2022: HK$216 million) and HK$1,424 million (31 December 2022: HK$1,104 million) respectively.

Included in the Group's cash, bank balances and deposits as at 30 June 2023, there were HK$1,083 million (31 December 2022: HK$1,718 million) of structured bank deposits carried at fair value using Level 3 measurements. The fair values of structured bank deposits are based on the statements provided by the counterparty financial institutions.

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

The fair value of the Group's investments in unlisted equity securities is determined based on the adjusted net asset method. The significant unobservable input includes the fair value of the individual assets less liabilities (recognised and unrecognised). The fair value measurement is positively correlated to the fair value of the individual assets less liabilities (recognised and unrecognised). The movements of the investments in unlisted equity securities during the period are as follows:

in HK$ million	**Six months ended 30 June 2023 (Unaudited)**	Year ended 31 December 2022 (Audited)
At 1 January	**669**	708
Additions	**16**	39
Disposal	**(5)**	(57)
Changes in fair value recognised in profit or loss	**–**	38
Exchange differences recognised in other comprehensive income	**(25)**	(59)
At 30 June/31 December	**655**	669

As at 30 June 2023, it is estimated that a 5-percent increase/decrease in fair value of the total individual assets less liabilities (recognised and unrecognised), with all other variables held constant, would increase/decrease the Group's profit after tax by approximately HK$25 million/HK$25 million (31 December 2022: HK$25 million/HK$25 million).

27 Fair Value Measurement *(continued)*

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

During the six months ended 30 June 2023, the disposal of structured bank deposits amounted to HK$635 million (during the year ended 31 December 2022: additions amounted to HK$1,718 million). As at 30 June 2023, the fair value of structured bank deposits was HK$1,083 million (31 December 2022: HK$1,718 million). The fair value is determined by discounting the estimated future cash inflows considering the interest rates and exchange rates linked to the deposits. Sensitivity analysis for structured bank deposits with fair value measurement are not disclosed as the effect is considered insignificant.

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

During the six months ended 30 June 2023 and the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The carrying amounts of the Group's financial assets and liabilities not carried at fair value are not materially different from their fair values as at 30 June 2023 and 31 December 2022 except for capital market instruments and other obligations, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2023 (Unaudited)		At 31 December 2022 (Audited)	
in HK$ million	Carrying amount	Fair value	Carrying amount	Fair value
Capital market instruments	**47,600**	**45,645**	40,794	38,860
Other obligations	**1,602**	**1,598**	1,687	1,691

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

28 Cash Generated from Operations

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

in HK$ million	**Six months ended 30 June 2023**	Six months ended 30 June 2022
Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment from recurrent businesses	**7,256**	3,633
Adjustments for non-cash items	**62**	165
Operating profit before working capital changes	**7,318**	3,798
Increase in debtors and other receivables	**(1,376)**	(358)
Increase in stores and spares	**(235)**	(207)
Increase in creditors, other payables and provisions	**387**	1,384
Cash generated from operations	**6,094**	4,617

29 Capital Commitments

A Outstanding capital commitments as at 30 June 2023 and 31 December 2022 not provided for in this interim financial report were as follows:

in HK$ million	Hong Kong transport operations, station commercial and other businesses	Hong Kong railway extension projects (note a)	Hong Kong property rental and development	Mainland China and overseas operations (note b)	Total
At 30 June 2023 (Unaudited)					
Authorised but not yet contracted for	**30,759**	**22,489**	**5,675**	**1,028**	**59,951**
Authorised and contracted for	**19,312**	**10,631**	**2,174**	**2,407**	**34,524**
	50,071	**33,120**	**7,849**	**3,435**	**94,475**
At 31 December 2022 (Audited)					
Authorised but not yet contracted for	30,961	7,819	8,097	1,123	48,000
Authorised and contracted for	18,699	3,752	1,037	2,574	26,062
	49,660	11,571	9,134	3,697	74,062

Note:

(a) As at 30 June 2023, capital commitments of Hong Kong railway extension project included costs of HK$29.4 billion (31 December 2022: HK$6.4 billion) in respect of which the project agreements have been signed, remaining costs of HK$3.7 billion (31 December 2022: HK$5.2 billion) in relation to certain projects with the HKSAR Government in respect of which the project agreements are yet to be reached. These costs are approved by the Board of Directors but yet to be incurred as at 30 June 2023.

(b) As at 30 June 2023, capital commitment of Mainland China and overseas operations included the authorised outstanding commitments totalling HK$3.4 billion (31 December 2022: HK$3.7 billion) for the capital expenditure in relation to the Shenzhen Metro Line 13 project.

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

(i) In respect of Shenzhen Metro Line 13, the Group is responsible to contribute equity injection of up to RMB1,428 million (HK$1,610 million). Up to 30 June 2023, the Group has contributed RMB785 million (HK$916 million) equity to the project.

(ii) In respect of Sydney Metro City & Southwest, the Group is expected to further contribute equity of approximately AUD12.7 million (HK$65.9 million) and loans of approximately AUD13.3 million (HK$69.0 million) to the project for the share of investment.

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

in HK$ million	Improvement, enhancement and replacement works	Acquisition of property, plant and equipment	Additional concession property	Total
At 30 June 2023 (Unaudited)				
Authorised but not yet contracted for	**22,620**	**2,914**	**5,225**	**30,759**
Authorised and contracted for	**15,738**	**1,555**	**2,019**	**19,312**
	38,358	**4,469**	**7,244**	**50,071**
At 31 December 2022 (Audited)				
Authorised but not yet contracted for	24,352	2,165	4,444	30,961
Authorised and contracted for	15,379	983	2,337	18,699
	39,731	3,148	6,781	49,660

30 Accounting Implications of the Abolition of the MPF-LSP Offsetting Mechanism in Hong Kong

In June 2022, the HKSAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the offsetting mechanism). The HKSAR Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the HKSAR Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP; however, upon the enactment of the Amendment Ordinance in June 2022, entities can no longer apply the practical expedient in paragraph 93(b) of HKAS 19, *Employee Benefits*, to recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability in the financial statements for the year ended 31 December 2022.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the abovementioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the HKICPA guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance in its annual financial statements for the year ending 31 December 2023.

31 Approval of Interim Financial Report

The interim financial report was approved by the Board on 10 August 2023.

Review Report to the Board of Directors of MTR Corporation Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 45 to 74 which comprises the consolidated statement of financial position of MTR Corporation Limited as of 30 June 2023 and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

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

KPMG

Certified Public Accountants

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

10 August 2023

INFORMATION FOR OUR INVESTORS

FINANCIAL CALENDAR 2023

Announcement of 2022 annual results	9 March
Annual General Meeting	24 May
Ex-dividend date for 2022 final dividend	29 May
Book closure period for 2022 final dividend	31 May to 5 June
2022 final dividend payment date	18 July
Announcement of 2023 interim results	10 August
Ex-dividend date for 2023 interim dividend	23 August
Book closure period for 2023 interim dividend	25 August to 30 August
2023 interim dividend payment date	13 October
Financial year end	31 December

SHARE INFORMATION

Stock Codes

Ordinary Shares

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

CONTACTS

Shareholder Services

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

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

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

Shareholder Enquiries

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

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

Investor Relations

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

Investor Relations Department, MTR Corporation Limited
MTR Headquarters Building, Telford Plaza, Kowloon Bay,
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Email: investor@mtr.com.hk

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