

CEO'S REVIEW AND OUTLOOK



Dear Shareholders and other Stakeholders,

It is my pleasure to report on MTR Corporation Limited's activities and performance over the first six months of 2024, our 45th year since the first commencement of metro service.

Since 1979, the Company and its railways have become deeply and inextricably linked with Hong Kong. We have grown alongside the city's vibrant communities and people and helped contribute to the success story of one of the world's most important financial and trade centres. Now, with the post-pandemic recovery underway, we are actively engaged in crafting the next chapter ahead. The coming years will see the construction of several new railway projects that are designed to connect communities, bring new populations within reach of our safe and reliable services, and forge closer ties with our neighbours in the Greater Bay Area. We are excited to be participating in this critical phase of Hong Kong's growth.

The operating environment we find ourselves in is a challenging one. While our recurrent business revenue is recovering, our operations in and outside of Hong Kong still face uncertainties in terms of macroeconomics, geopolitical risks and consumption trends. In response, we must continue to practise prudent financial management, innovate our business operations for greater efficiency and grow our business streams. Our continued ability to drive revenue growth will help us deliver not only shareholder value, but also the first-rate transportation networks needed to facilitate our city's sustainable, long-term growth.

During the period under review, Domestic Service patronage continued to recover while Hong Kong and Mainland Chinese passengers increased their travel frequency on both our Cross-boundary and High Speed Rail ("HSR") services. Our property rental businesses have benefitted from the opening of our two newest malls. Meanwhile, we ramped up work for the new railway infrastructure projects that will help lay the groundwork for Hong Kong's future development.

This year, MTR is proudly commemorating 45 years of service in Hong Kong with a series of celebratory events. We are particularly delighted to be hosting the “Station Rail Voyage” exhibition at Hung Hom Station, sharing a retrospective of the history of MTR and railway travel in Hong Kong with the community.

BUSINESS PERFORMANCE AND GROWTH

To maintain its position as a world leader in rail transit, MTR is committed to achieving excellence in service and reliability and seeks to “Go Smart Go Beyond” by introducing innovations and new technologies to its operations, maintenance and customer service. Over the first six months of the year, we once again achieved world-class rates of 99.9% in both train service delivery and passenger journeys on-time for our heavy rail network in Hong Kong. We made strong progress on our HK\$1.3 billion Automatic Fare Collection system upgrade, which will provide passengers with greater e-payment choice and convenience. We have also completed train deployment for the Tuen Ma and Island lines under “Smart Train Planning”, a cloud-based AI platform codeveloped with Alibaba that optimises train mileage regulation and planning.

In March, we announced that the overall adjustment rate for MTR fares for 2024/2025 is +3.09%, in line with the “Affordability Cap” arrangement that ensures we can continue to offer affordable fares while also generating the funds needed to maintain, upgrade and renew our railway systems for the benefit of the travelling public. Our comprehensive range of concessions, monthly passes and discounts also serves to keep fares as affordable as possible.

As at 30 June 2024, the Company had 14 residential property developments in progress, which will provide approximately 12,000 units to the local housing market in the coming years, and pre-sale activities continued during the period under review. On the commercial side,

our lifestyle shopping mall located alongside Wong Chuk Hang Station, THE SOUTHSIDE, had its full-scale soft opening in June 2024, bringing exciting shopping, dining, entertainment and services to the community.

Furthermore, the Company has commenced major construction works for a number of initiatives under Government’s Railway Development Strategy 2014 (“RDS 2014”) and Northern Metropolis development strategy, including the Tung Chung Line Extension, Kwu Tung Station on the East Rail Line and the Tuen Mun South Extension. These projects will contribute to the sustainable, long-term growth of burgeoning population centres both existing and new. They are being funded by financial contributions from our “Rail plus Property” business model, which drives cost-efficient infrastructure development while also enabling the creation of vibrant, integrated communities built around railway stations. This March, the Chief Executive in Council also authorised the construction of Hung Shui Kiu Station, an intermediate station that will serve the future Hung Shui Kiu/ Ha Tsuen New Development Area in the western part of the Northern Metropolis.

MTR’s Mainland China and international businesses represent an important part of the Company’s strategic and brand growth. In Australia, we welcomed the extension of our concession for the Melbourne metropolitan rail network to November 2027 and are in the final preparation stage for the opening of the City section of Sydney Metro City & Southwest. For the Elizabeth line in the UK, we are engaged in the competition for the next operating concession. We also continue to progress the Shenzhen Metro Line 13 Phase 1 project, with the initial section planned to commence passenger service within this year. In last year’s Annual Report, we reported on our agreements for the early termination of our concessions for Stockholms pendeltåg and Mälartåg, and the operational handovers for both of these services were completed during the review period. The sale of MTRX was also completed in May 2024.

FINANCIAL PERFORMANCE

Profit attributable to equity shareholders from recurrent businesses was HK\$4,024 million in the first half of 2024 compared with the HK\$2,420 million that was recorded over the same period last year. This was mainly due to continued recovery in patronage for Cross-boundary Service, Domestic Service and HSR. The period under review also saw higher profit from property development of HK\$1,740 million. As a result, profit from underlying businesses increased by 82.9% to HK\$5,764 million. Including the gain arising from fair value measurement of investment properties (a non-cash accounting item) of HK\$280 million, net profit attributable to shareholders of the Company increased by 44.7% to HK\$6,044 million, representing earnings per share of HK\$0.97.

Your Board has declared an interim dividend of HK\$0.42 per share, same as the first six months of 2023.

OUTLOOK

MTR strives to provide safe, efficient and environmentally friendly railway services that are affordable and accessible for all – regardless of age, ability or socioeconomic status – while also enhancing shareholder value. These two goals are far from mutually exclusive. In fact, the more we are able to generate returns from our business activities, the more we can invest in the future growth and success of Hong Kong.

Revenue and profit from our recurrent business activities have improved since the pandemic, which bodes well for our future planning and development purposes. Still, we need to proceed cautiously in these transitional times, particularly when the global economy remains volatile due to geopolitical pressures and high interest rates.

In the post-COVID era, the term “new normal” has been used to describe the recent patterns of consumer and traveller behaviour that have emerged since the pandemic. The slowly recovering patronage experienced by our Domestic and Cross-boundary services over the past year and a half has been welcome, as it drives

revenue and has a positive knock-on effect for our station retail and Duty Free businesses. However, it will bear watching whether the growth of cross-boundary and overseas travel will translate into patronage for MTR services. Our revenue from station retail, property rental and advertising will also remain dependent to a degree on macroeconomic factors and consumption trends.

The cancellations of certain stamp duties previously imposed on residential property transactions have somewhat helped the recovery of the property market, but it remains to be seen how the impact of these measures will carry through in the second half of the year and beyond. The property market will also be subject to effects related to the uncertain global economic outlook and interest rate trends. Depending on market conditions, we anticipate the possible tendering of Tung Chung East Station Package 1, potentially within the next 12 months. The year 2030 remains our target for the first intake of residents of the Oyster Bay project. We have applied for pre-sale consent for THE SOUTHSIDE Package 5, LOHAS Park Package 13 and the Yau Tong Ventilation Building. Over the second half of the year – and subject to the progress of construction and sales – we anticipate booking property development profit from THE SOUTHSIDE Package 4 and Package 5, Ho Man Tin Station Package 1 and Package 2, as well as LOHAS Park Package 11.

We are excited about participating in the next stage of Hong Kong's infrastructural and societal development, and we are committed to “Go Beyond Boundaries” to deliver world-class railways that connect communities, foster growth and strengthen cross-boundary economic ties. In addition to the exciting projects we are currently advancing under RDS 2014, we continue to explore other railway initiatives that will contribute to the city's long-term economic outlook. This also includes providing our full support for railway initiatives under Government's “Hong Kong Major Transport Infrastructure Development Blueprint” that was announced late last year.

To overcome the various external challenges we face and ensure that adequate resources are in place to support the next phase of Hong Kong's infrastructural development, we will continue practising prudent financial management while emphasising operational excellence and efficiency through innovation. These cornerstones will enable us to achieve sustainable growth and our resolute mission to Keep Cities Moving.

Our Mainland China and international businesses are an important pillar of the Company's future growth, and we continue as always to seek opportunities that will provide geographic diversification of our revenue streams while promoting the MTR brand to growth markets outside Hong Kong. We are looking forward to the opening of the City section of Sydney Metro City & Southwest. We also continue to progress the Shenzhen Metro Line 13 Phase 1 project and the initial section is planned to commence passenger service within this year.

In closing, I would like to take this opportunity to congratulate our Chairman, Dr Rex Auyeung, for being reappointed by Government to helm our Board. I look forward to working together with him, the Board, our management and our thousands of staff members as we strive to Keep Cities Moving in Hong Kong and around the world.

A handwritten signature in black ink, appearing to read 'J. Kam', written in a cursive style.

Dr Jacob Kam Chak-pui
Chief Executive Officer
Hong Kong, 15 August 2024