THE FIRST HALF IN REVIEW

BUSINESS PERFORMANCE

Hong Kong Businesses

MTR's Hong Kong businesses represent the heart of the Company's activities and a key pillar of its future growth. They include "Hong Kong Transport Services" – rail and bus transport operations along with related commercial activities at stations, such as retail shopping and advertising – plus the development, rental and management of a wide portfolio of railway-linked residential and commercial properties. This "Rail plus Property" business model provides the sustainable funding necessary for MTR to build, operate and maintain world-class railway networks. It also promotes transit-oriented development ("TOD"), which drives the creation of integrated, bustling new communities.

HONG KONG TRANSPORT SERVICES

TRANSPORT OPERATIONS

HIGHLIGHTS

- Patronage and revenue from transport operations continued to recover
- Company maintained world-class 99.9% train service delivery and passenger journeys on-time despite rising patronage and train frequencies
- Efforts to "Go Smart Go Beyond" continued with the adoption of the latest technologies for improved operations, maintenance, customer service and sustainability

HK$ million	Six months ended 30 June 2024	2023	Inc./(Dec.) %
Hong Kong Transport Operations			
Total Revenue	**11,138**	9,342	19.2
Operating Profit before Depreciation, Amortisation and Variable Annual Payment ("EBITDA")	**4,059**	2,680	51.5
Profit/(Loss) before Interest, Finance Charges and Taxation and after Variable Annual Payment ("EBIT")	**415**	(774)	n/m
EBITDA Margin (in %)	**36.4%**	28.7%	7.7% pts.
EBIT Margin (in %)	**3.7%**	(8.3)%	n/m

n/m: not meaningful

Revenue from Hong Kong transport operations was HK$11,138 million in the first half of 2024, an increase of 19.2% compared to the same period last year, bringing profit before interest, finance charges and taxation and net of the variable annual payment to Kowloon-Canton Railway Corporation ("KCRC") to HK$415 million. These results were largely due to rising patronage for both Domestic Service and Cross-boundary Service – the latter of which enjoyed a full six months of operations compared to the same period last year, when the service began resuming gradually in January and February – as well as continued strong performance from High Speed Rail ("HSR").

Patronage and Revenue

	Patronage In million		Revenue HK$ million	
	Six months ended 30 June 2024	Inc./(Dec.) %	**Six months ended 30 June 2024**	Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service	**787.5**	1.3	**7,037**	5.3
Cross-boundary Service	**46.5**	65.6	**1,698**	101.7
HSR and Intercity	**12.7**	66.9	**1,622**	38.4
Airport Express	**6.2**	37.1	**391**	39.6
Light Rail and Bus	**104.5**	1.9	**336**	4.0
	957.4	4.1	**11,084**	19.2
Others			**54**	20.0
Total			**11,138**	19.2

Building on the post-pandemic recovery of Domestic Service, Cross-boundary Service and HSR in 2023, patronage continued to recover over the first six months of 2024. During this period, total patronage for all rail and bus services was 957.4 million compared to the 920.1 million recorded in the first half of last year, an increase of 4.1%. Average weekday patronage increased by 3.3% to 5.58 million.

Market Share

The Company's overall market share of the franchised public transport market in Hong Kong was 50.1% in the first five months of 2024 compared with 49.6% over the corresponding period in 2023. This was mainly due to continued recovery in patronage. Of this total, our share of cross-harbour traffic was 72.2% compared with 71.8% in the first five months of 2023.

Our share of the cross-boundary transport business in the first five months of 2024 decreased to 50.7% from 53.5%, mainly due to the increased number of land-based control points after boundaries reopened in early 2023, such as Heung Yuen Wai. Our share of traffic to and from the airport in the first five months of 2024 decreased to 18.3% from 20.1%, mainly due to increasing competition from other modes of transport.

Fare Adjustment, Promotions and Concessions

In March 2024, it was announced that the overall adjustment rate for MTR fares for 2024/2025 would be +3.09%, in line with the "Affordability Cap" arrangement that limits the rate of overall fare adjustment to the change in the Median Monthly Household Income for the corresponding year. The Affordability Cap arrangement is designed to balance public affordability with the need to generate steady sources of recurrent revenue to maintain, upgrade and renew railway systems. The remaining +0.11% adjustment rate will be deferred to 2025/2026 and 2026/2027, while the +1.85% from 2023/2024 will be carried forward to 2025/2026. The Company also announced a number of on-going fare concessions in addition to the Fare Adjustment Mechanism to benefit customers from all walks of life, including the elderly, children, eligible students, persons with disabilities and more. MTR will also continue to provide the City Saver and the HK$0.5 interchange discount with Green Minibus while extending the Monthly Passes, Tuen Mun–Nam Cheong Day Pass and Early Bird Discount for another year.

Service Performance

Over the first six months of 2024, MTR continued to deliver world-class rail service and reliability despite rising patronage, achieving a rate of 99.9% in passenger journeys on-time and train service delivery for its heavy rail network. This performance exceeded its Operating Agreement commitment and the Company's own even more demanding Customer Service Pledge.

During this period, MTR ran over 0.91 million train trips on its heavy rail network and more than 0.45 million trips on its light rail network, with two delays in total on heavy rail and no delays on light rail. Delays are defined as those lasting 31 minutes or more and attributable to factors within MTR's control. Each incident is closely reviewed with the objective of preventing recurrence.

Enhancing the Customer Experience

As part of its efforts to provide safe, reliable and efficient railway services, the Company continued to make improvements to its world-class railway services by optimising its networks and employing the latest technologies and innovations for an even better and smarter customer experience.

In March 2024, responding to growing patronage on the East Rail Line, the Company increased regular train services on weekends and public holidays by adding a total of 76 more train trips each week. In June 2024, the number of Mainland destinations served by the HSR was expanded to 78 to meet rising demand from cross-boundary travellers. Sleeper train services connecting Hong Kong with Beijing and Shanghai were also launched on 15 June to provide an upgraded cross-boundary overnight railway service.

MTR is currently in the midst of a HK$1.3 billion programme to upgrade 2,400 Automatic Fare Collection ("AFC") system entry/ exit ticket gates at stations across Hong Kong. Following the successful launch of VISA card acceptance at select AFC gates in December 2023, more credit cards will be added in the third quarter of 2024.

The Company's train replacement programme, which involves phasing out existing trains and replacing them with newer, more comfortable SACEM Q-train models, continued to progress during the period under review. Thirteen trains are now in service on the Kwun Tong Line. For the Island Line, six trains are now in use, and five more are expected to be ready later this year. Designs for new trains along the Tung Chung Line and Airport Express are in the advanced system engineering management stage. Additionally, new trains and a new signalling system for the Disneyland Resort Line are targeted to be brought into operation in 2028.

The programme to replace the existing SACEM signalling system along the Tsuen Wan, Island, Kwun Tong and Tseung Kwan O lines with a communication-based train control signalling system ("CBTC System") also continued. This programme is central to MTR's efforts to boost carrying capacity, increase passenger convenience and fulfil the Company's long-term operational needs. Service on the Tsuen Wan Line is anticipated to commence around 2025 and 2026, followed by implementation on the Island, Kwun Tong and Tseung Kwan O lines. Overall project completion is expected around 2028 and 2029.

MTR's stage 2 air conditioning enhancement programme to replace 31 existing chillers at various stations with newer, more energy-efficient models is progressing well. The overall programme is designed to provide passengers with even more comfortable station environments while reducing the Company's carbon emissions. Completion is expected in 2025.

MTR's automatic platform gate installation programme along the East Rail Line is a major asset upgrade initiative to enhance the passenger experience. A total of 1,600 gates are being installed across 13 stations between Lo Wu/ Lok Ma Chau and Mong Kok East. As at 30 June 2024, gates had been installed at six of these stations with more to follow in the second half of the year.

Operations Performance in the first half of 2024

Service Performance Item	Performance Requirement	Customer Service Pledge Target	**Actual Performance**
Train service delivery			
– Island Line and South Island Line	99.0%	99.5%	**99.9%**
– Kwun Tong Line, Tsuen Wan Line and Tseung Kwan O Line	99.0%	99.5%	**99.8%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	99.0%	99.5%	**99.9%**
– East Rail Line [(1)]	99.0%	99.5%	**99.9%**
– Tuen Ma Line	99.0%	99.5%	**99.9%**
– Light Rail	99.0%	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	99.0%	99.5%	**99.9%**
– Airport Express	98.5%	99.0%	**99.9%**
– East Rail Line [(1)]	98.5%	99.0%	**99.9%**
– Tuen Ma Line	98.5%	99.0%	**99.9%**
Train punctuality			
– Island Line and South Island Line	98.5%	99.0%	**99.7%**
– Kwun Tong Line, Tsuen Wan Line and Tseung Kwan O Line	98.5%	99.0%	**99.6%**
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.0%	**99.9%**
– East Rail Line [(1)]	98.5%	99.0%	**99.9%**
– Tuen Ma Line	98.5%	99.0%	**99.9%**
– Light Rail	98.5%	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	**2,211,332**
– East Rail Line and Tuen Ma Line	N/A	1,000,000	**6,553,005**
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	**59,516**
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	98.5%	99.0%	**99.9%**
– East Rail Line	98.5%	99.0%	**99.9%**
– Tuen Ma Line	98.5%	99.0%	**99.9%**
Ticket machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.8%**
– East Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line	98.0%	99.0%	**99.9%**
– 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	98.0%	99.0%	**99.9%**
– East Rail Line	98.0%	99.0%	**99.9%**
– Tuen Ma Line	98.0%	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	98.5%	99.0%	**99.9%**
– East Rail Line	98.5%	99.0%	**99.9%**
– Tuen Ma Line	98.5%	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	99.0%	99.5%	**99.9%**
– East Rail Line	99.0%	99.5%	**99.9%**
– Tuen Ma Line	99.0%	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%	**99.8%**
Cleanliness			
– Train compartment: cleaned daily	N/A	99.0%	**99.9%**
– Train exterior: washed every two days (on average)	N/A	99.0%	**100%**
Northwest transit service area bus service			
– Service Delivery	N/A	99.0%	**99.3%**
– Cleanliness: washed daily	N/A	99.0%	**100%**
Passenger enquiry response time within six working days	N/A	99.0%	**100%**

Note:

1 The first two-year revenue operations of the East Rail Line Cross-Harbour Extension was completed on 14 May 2024. The figures reflect the actual performance of the East Rail Line for the period between 15 May and 30 June 2024.

Smart Mobility, Operations and Maintenance

MTR always strives to "Go Smart Go Beyond" in its efforts to enhance the passenger journey and improve railway operations. In February 2024, we introduced the "Virtual Service Ambassador" to Kai Tak Station after its successful launch at Quarry Bay Station late last year. AI-enabled and voice-controlled, this virtual assistant responds to passengers' voice enquiries and provides station route guidance in real time. In March, we 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 April 2024, our efforts to develop and apply innovative technologies to build smart railways were recognised at the 49th International Exhibition of Inventions Geneva, where MTR won a total of 21 awards. Award-winning innovations included the "AI Sensors Fusion Technique in Train Bogie Maintenance" project, which utilises AI to collect real-time vibration frequency data of train bogies and predict anomalies for enhanced monitoring and maintenance, and a battery-powered train location and signal light sensor that helps boost the safety and reliability of railway services.

HONG KONG TRANSPORT SERVICES

STATION COMMERCIAL BUSINESSES

HIGHLIGHTS

- First half of year sees increased revenue from station retail and advertising businesses
- All MTR stations now have 5G services

HK$ million	Six months ended 30 June **2024**	2023	Inc./(Dec.) %
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	**1,787**	1,640	9.0
Advertising Revenue	**496**	416	19.2
Telecommunication Income	**296**	309	(4.2)
Other Station Commercial Income	**59**	50	18.0
Total Revenue	**2,638**	2,415	9.2
EBITDA	**2,328**	2,160	7.8
EBIT	**1,897**	1,798	5.5
EBITDA Margin (in %)	**88.2%**	89.4%	(1.2)% pts.
EBIT Margin (in %)	**71.9%**	74.5%	(2.6)% pts.

In the first half of 2024, total revenue from all Hong Kong station commercial activities increased by 9.2% year on year to HK$2,638 million. This was mainly the result of improved rental revenue from the station retail business, especially in comparison to the lower base that was set during the first six months of 2023, when cross-boundary stations began reopening in phases early in the year.

Station retail rental revenue over the first six months of 2024 increased by 9.0% to HK$1,787 million. This was primarily due to improved rental income from the Duty Free and station kiosk businesses. As at 30 June 2024, the total number of retail shops in our stations was 1,572, covering 70,665 square metres of station retail area. Rental reversion and average occupancy rates for our station kiosks were -4.8% and 98.4%, respectively.

To attract new brands to MTR Shops, the Company launched a "smart leasing" platform that allows prospective tenants to browse shop environments and vicinities through online VR tours. During the period under review, we also devised and launched a number of marketing initiatives to drive retail traffic to tenant stores – many of which were promoted through the MTR Mobile app – such as the "MTR Shops Stamp Reward" programme and an electronic cash coupon giveaway to boost sales at station shops. We also raised customer awareness of new shop brands through station advertising and joint promotions. As always, we regularly reviewed our tenant mix to ensure that our retail offerings are in line with customer expectations and current trends.

As at 30 June 2024, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 14% will expire in the second half of 2024, 33% in 2025, 27% in 2026, and 26% in 2027 and beyond.

In terms of trade mix, food and beverage accounted for approximately 42% of the leased area of our station kiosks (excluding Duty Free shops), followed by cake shops at 12%, passenger services at 12%, convenience stores at 11% and others at 23% as at 30 June 2024.

Revenue from advertising increased by 19.2% to HK$496 million in the first half of 2024. This was mainly due to higher cross-boundary traffic – driven in part by Government's efforts to promote tourism and mega events as well as the expanded number of Mainland Chinese cities now eligible for individual travel – which in turn led to increased spending by advertisers in cross-boundary stations and Airport Express.

As at 30 June 2024, the total number of advertising units in stations and trains was 42,821. The Company continues to prioritise adding innovative new digital media to its advertising offerings. During the review period, we installed two digital pillar zones, at Diamond Hill and Kowloon Tong stations, and extended the 98" digital portrait network to the Island Line, including 24 digital panels at 16 stations.

Revenue from our telecommunications business over the first six months of 2024 decreased by 4.2% to HK$296 million. Passengers may enjoy 5G services in all MTR stations throughout our network. We are currently developing a new commercial system at 24 stations that can support 5G services and provide faster data throughput. We also continue to operate our data centre business in Tseung Kwan O and explore other data centre opportunities.

PROPERTY BUSINESSES

HIGHLIGHTS

- Property development profit recognition from SOUTHLAND and La Marina (THE SOUTHSIDE Package 1 and Package 2) as well as Villa Garda (LOHAS Park Package 11)
- Full-scale soft opening of THE SOUTHSIDE shopping mall alongside Wong Chuk Hang Station

Property Rental and Management

HK$ million	Six months ended 30 June 2024	2023	Inc./(Dec.) %
Hong Kong Property Rental and Property Management Businesses			
Revenue from Property Rental	**2,545**	2,324	9.5
Revenue from Property Management	**143**	132	8.3
Total Revenue	**2,688**	2,456	9.4
EBITDA	**2,163**	1,998	8.3
EBIT	**2,154**	1,990	8.2
EBITDA Margin (in %)	**80.5%**	81.4%	(0.9)% pt.
EBIT Margin (in %)	**80.1%**	81.0%	(0.9)% pt.

Property rental revenue increased by 9.5% to HK$2,545 million in the first half of 2024, which was mainly due to additional contributions from the Company's two new shopping malls, The Wai and THE SOUTHSIDE, following their openings in the second half of 2023 and lower amortisation of rental concessions charged to the statement of profit or loss. MTR shopping malls in Hong Kong recorded a rental reversion of -5.7% and an average occupancy rate of 99%. The Company's 18 floors in Two International Finance Centre were 92% let on average.

Changing consumption patterns post-pandemic continued to affect the retail market to varying degrees in the first half of 2024 as shoppers typically spent less time and money in malls, although MTR Malls continued to benefit from weekday spending as most are located in residential areas. We continued to launch promotional activities throughout the review period in an effort to attract shoppers, which included distributing coupons in celebration of the HKSAR's anniversary on 1 July.

In June 2024, we celebrated the full-scale soft opening of THE SOUTHSIDE, our new lifestyle mall located alongside Wong Chuk Hang Station. The mall is seamlessly connected to Wong Chuk Hang Station and now features 130 shops over five retail floors and a total floor area of nearly 510,000 square feet.

As at 30 June 2024, our attributable share of investment properties in Hong Kong was 315,870 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 2024, the lease expiry profile of our shopping malls by area occupied was such that approximately 11% will expire in the second half of 2024, 25% in 2025, 33% in 2026, and 31% in 2027 and beyond.

In terms of trade mix, food and beverage accounted for approximately 31% of the leased area of our shopping malls, followed by fashion, beauty and accessories at 21%, services at 20%, leisure and entertainment at 18%, and department stores and supermarkets at 10% as at 30 June 2024.

Property management revenue in Hong Kong increased by 8.3% to HK$143 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 2024, MTR managed more than 122,000 residential units and over 920,000 square metres of commercial and office space.

Property Development and Tendering

Hong Kong property development profit (post-tax) for the first half of 2024 was HK$1,722 million, which was mainly due to profit recognition from SOUTHLAND and La Marina (THE SOUTHSIDE Package 1 and Package 2) as well as Villa Garda (LOHAS Park Package 11).

Pre-sales and sale activities continued during the first half of 2024. In general, some residential property buyers benefitted from Government initiatives in February 2024 to remove various stamp duties for residential properties.

For THE SOUTHSIDE packages, SOUTHLAND (Package 1) and La Marina (Package 2) were 90% and 96% sold, respectively, as at 30 June 2024. Pre-sales continued for La Montagne (Package 4 Phase 4A) with 13% of units sold. Pre-sales for Blue Coast (Package 3 Phase 3B) were launched in April 2024 with 88% of units sold as at 30 June 2024.

For LOHAS Park packages, pre-sales continued for Villa Garda I, II and III (Package 11), and 79%, 24% and 34% of units were sold as at 30 June 2024, respectively. Pre-sales were launched for SEASONS PLACE (Package 12A) and

Property Development Packages Awarded and in Progress

Location	Developers	Type	Gross floor area *(sq. m.)*	Tender award date	Expected completion date
Ho Man Tin Station					
ONMANTIN	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
SEASONS PLACE/PARK SEASONS/Phase XIIC	Wheelock and Company Limited	Residential	89,290	February 2020	By phases in 2025
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	Phases 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	By phases from 2024 to 2025
Wong Chuk Hang Station (THE SOUTHSIDE)					
Blue Coast/Phase 3C	CK Asset Holdings Limited	Residential	92,900	August 2018	By phases from 2024 to 2025
		Retail	47,000		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	2026
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

 # as a development agent for the relevant subsidiaries of KCRC
** excluding a bicycle park with cycle track*

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	2025 – 2036	2030 – 2042
Tung Chung East Station[2]	Mixed-use Development	628,400	2024 – 2026	2030 – 2034
Tuen Mun A16 Station[2]	Mixed-use Development	397,700	To be confirmed	To be confirmed
Kwu Tung Station[2]	Mixed-use Development	303,300	To be confirmed	To be confirmed

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.*

PARK SEASONS (Package 12B) in March and April 2024, respectively, and 90% and 28% of units were sold as at 30 June 2024.

For Ho Man Tin Station packages, pre-sales continued for IN ONE (Package 2) Phases IA, IB and IC, which were 22%, 98% and 86% sold, respectively, as at the end of the reporting period. Pre-sales for ONMANTIN (Package 1) were launched in April 2024 with 61% of units sold as at 30 June 2024.

Pre-sales continued for YOHO WEST (Tin Wing Stop Phase 1), with 87% of units sold as at 30 June 2024. Applications for presale consent for THE SOUTHSIDE Package 5, LOHAS Park Package 13 and the Yau Tong Ventilation Building are in progress.

For West Rail properties, where we act as agent for relevant subsidiaries of KCRC, sales activities continued for the Cullinan West Development (Nam Cheong Station). As at 30 June 2024, The YOHO Hub (Yuen Long Station Phase 1) was 43% sold. Sales of The YOHO Hub II (Yuen Long Station Phase 2) were launched in May 2024, with 45% of units sold. 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 2024, respectively.

We continue to monitor market conditions closely and conduct regular reviews of our property tendering programme. Depending on market conditions, we anticipate the possible tendering of Tung Chung East Station Package 1, potentially within the next 12 months. For the Oyster Bay project, advance works are progressing, and the year 2030 remains our target for intake of the first batch of residents.

GROWING OUR HONG KONG BUSINESSES

HIGHLIGHTS

- MTR progressing several projects central to Government's major infrastructure network development strategies
- As at 30 June 2024, the Company had 14 residential property projects that will deliver about 12,000 units to the housing market

As part of its mission to support the development of Hong Kong, MTR strives to "Go Beyond Boundaries" by working with Government on new projects that are designed not only to connect communities with safe, reliable, accessible and environmentally friendly mass transit, but also to stimulate economic growth and opportunity. During the period under review, the Company continued to progress several new projects that are launching the next phase of Hong Kong's railway infrastructure development, including initiatives under Government's Railway Development Strategy 2014 ("RDS 2014") and Northern Metropolis development strategy.

Building Hong Kong's Future Railway Network

Tung Chung Line Extension

In February 2023, MTR signed the project agreement with Government for the financing, design, construction, operation and maintenance of the Tung Chung Line Extension, an RDS 2014 project that will serve new town extensions in Tung Chung East and Tung Chung West and the existing population in the latter area; enhance connectivity in Lantau North; and support sustainable, long-term population and economic growth in all these areas. It is being funded by the financial contribution from the "Rail plus Property" development model and the Company's internal resources. Major works this year include turnout installation and track diversion for Tung Chung East Station as well as tunnel boring preparation works for Tung Chung West Station. The Tung Chung Line Extension is expected to be completed in 2029.

Tuen Mun South Extension

In September 2023, MTR signed the project agreement with Government for the financing, design, construction, operation and maintenance of the Tuen Mun South Extension. This project involves extending the Tuen Ma Line southward by approximately 2.4 km from Tuen Mun Station by way of a viaduct as well as building two new stations, including an intermediate station at Area 16 and a new terminal station at Tuen Mun South near the Tuen Mun Ferry Terminal. During the review period, we primarily carried out piling, foundation and preparation works along the alignment. The overall project, which is also being funded by financial contributions from the "Rail plus Property" development model and the Company's internal resources, is expected to be completed in 2030.

Kwu Tung Station on the East Rail Line

In September 2023, the Company also signed the project agreement with Government for the financing, design, construction, operation and maintenance of Kwu Tung Station on the East Rail Line, a new station that will be situated in the town centre of the future Kwu Tung North New Development Area between Lok Ma Chau and Sheung Shui stations on the East Rail Line. Construction began that same month, and we are now moving ahead at full steam on the bulk excavation to remove the soil above the existing tunnel structure for station construction to take place. The new station is expected to be completed in 2027. This project is also being funded by financial contributions from the "Rail plus Property" development model and the Company's internal resources.

Oyster Bay Station

Meanwhile, we are also carrying out cable diversion and piling works for Oyster Bay Station, a project located at Siu Ho Wan between Sunny Bay and Tung Chung stations that is designed to enhance connectivity in Lantau North and cater to the future population of Oyster Bay. Construction is targeted for completion in 2030.

Other New Railway Projects

A number of other important RDS 2014 projects are at various stages of advancement. In March 2024, the Chief Executive in Council authorised the construction of Hung Shui Kiu Station under the Railways Ordinance. Hung Shui Kiu Station is located on the Tuen Ma Line between Tin Shui Wai and Siu Hong stations, where it will serve the future Hung Shui Kiu/ Ha Tsuen New Development Area in the western part of the Northern Metropolis. We started the removal of parapet walls of the section of viaduct this year in preparation for commencement of main works and station construction. The station is expected to be completed in 2030. The scheme for the Northern Link Main Line was gazetted under the Railways Ordinance in October 2023. We are now fulfilling pre-construction statutory procedures with a target of project completion in 2034. It is important to note that the Company is still in various stages of discussion with Government and has yet to enter into project agreements for the Hung Shui Kiu Station and Northern Link projects. Government has announced its intention to proceed with MTR on these projects using the ownership approach. Different funding models, including the "Rail plus Property" development model, may be deployed to ensure commercial returns on the Company's investments. We will also continue to provide full support to Government as required for the development of the South Island Line (West) and Northern Link Spur Line.

MTR is also providing support for the railway initiatives under the "Hong Kong Major Transport Infrastructure Development Blueprint" ("the Blueprint") announced by Government last year. The Blueprint includes the Central Rail Link, Tseung Kwan O Line Southern Extension and Hong Kong–Shenzhen Western Rail Link as well as two additional new railway projects, the Northern Link Eastern Extension and Northeast New Territories Line. The Company continues to carry out a study on the proposed new Pak Shek Kok Station on the East Rail Line. We are also closely monitoring the progress of smart and green mass transit projects in areas such as East Kowloon, Kai Tak, Hung Shui Kiu and Ha Tsuen.

Expanding the Property Portfolio

As at 30 June 2024, the Company had 14 residential property projects that will deliver approximately 12,000 units to the housing market in the coming years. We also continue to study the development potential of other areas along our existing and future railway lines. At the invitation of Government, we submitted study reports on the development potential of the proposed Pak Shek Kok Station in the first half of 2024. Also at Government's invitation, we are studying the opportunity to re-plan and develop the land at Hung Hom Station and the railway facilities in its vicinity.

MAINLAND CHINA AND INTERNATIONAL BUSINESSES

HIGHLIGHTS

- Continued to progress the Shenzhen Metro Line 13 Phase 1 project; the initial section is planned to commence passenger service within this year
- Concession for Melbourne metropolitan rail network extended to November 2027

The Company's Mainland China and international businesses enable it to export the Hong Kong stories and MTR brand globally while also providing opportunities for growth outside its home market of Hong Kong. It is a core pillar of MTR's Corporate Strategy for future growth. In the first half of 2024, MTR, its subsidiaries, associates and joint ventures provided world-class railway transit services to approximately 1.2 billion passengers in Mainland China, Macao, Europe and Australia.

	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	**2024**	2023	Inc./(Dec.) %	**2024**	2023	Inc./(Dec.) %	**2024**	2023	Inc./(Dec.) %
Recurrent Businesses									
Subsidiaries									
Revenue	**937**	863	8.6	**11,492**	12,216	(5.9)	**12,429**	13,079	(5.0)
EBITDA	**14**	152	(90.8)	**695**	380	82.9	**709**	532	33.3
EBIT	**(114)**	22	n/m	**600**	268	123.9	**486**	290	67.6
EBITDA Margin (in %)	**1.5%**	17.6%	(16.1)% pts.	**6.0%**	3.1%	2.9% pts.	**5.7%**	4.1%	1.6% pts.
EBIT Margin (in %)	**(12.2)%**	2.5%	n/m	**5.2%**	2.2%	3.0% pts.	**3.9%**	2.2%	1.7% pts.
Recurrent Business (Loss)/Profit (Net of Non-controlling Interests)	**(132)**	**(9)**	**n/m**	**368**	**(32)**	**n/m**	**236**	**(41)**	**n/m**
Associates and Joint Ventures									
Share of Profit	**401**	**335**	**19.7**	**47**	**27**	**74.1**	**448**	**362**	**23.8**
Total Recurrent Business Profit/(Loss) (before Business Development Expenses)	**269**	**326**	**(17.5)**	**415**	**(5)**	**n/m**	**684**	**321**	**113.1**
Profit Attributable to Shareholders of the Company for the Period									
– Arising from Recurrent Businesses (before Business Development Expenses)							**684**	**321**	**113.1**
– Business Development Expenses							**(142)**	(128)	(10.9)
– Arising from Recurrent Businesses (after Business Development Expenses)							**542**	**193**	**180.8**
– Arising from Mainland China Property Development							**18**	20	(10.0)
– Arising from Underlying Businesses							**560**	**213**	**162.9**

n/m: not meaningful

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$542 million in the first half of 2024 on an attributable basis compared with the net after-tax profit of HK$193 million that was recorded during the first six months of last year.

In Mainland China and Macao, recurrent business loss from railway, property rental and property management subsidiaries was HK$132 million in the first half of 2024. This was mainly due to the loss arising from the disposal of the Ginza Mall operations in May 2024 as well as a lower contribution from Shenzhen Metro Line 4 ("SZL4").

In our international businesses, recurrent business profit from our railway subsidiaries was HK$368 million in the first half of 2024. The improvement was mainly because of a reduction in losses recognised for Stockholms pendeltåg and Mälartåg in the first half of 2024, as special loss provisions were recognised in the second half of 2023 in relation to the early termination of these services' concessions in March and June 2024, respectively.

Our share of profits from our Mainland China and international businesses associates and joint ventures increased to HK$448 million from HK$362 million recorded in the first half of 2023. This was primarily due to improved performances 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, Beijing Metro Line 16 ("BJL16"), and the Southern and Northern sections of Beijing Metro Line 17 ("BJL17"). All lines delivered 99.9% on-time performance in the first half of the year with a gradual increase in patronage. More commuters in the city are now enjoying enhanced connectivity following the smooth openings of the full BJL16 and Northern Section of BJL17 in late 2023.

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% and a gradual increase in patronage. Construction of Shenzhen Metro Line 13 Phase 1 continued to progress as planned, and the initial section is planned to commence passenger service within this year.

As previously stated, there has been no increase in fares for SZL4 since we began operating the line in 2010. We expect that the mechanism and procedures for fare adjustments will take time to implement, and that patronage will remain at a lower level for longer than expected. If a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

Hangzhou

In Hangzhou, Hangzhou Metro Line 1 ("HZL1"), the Xiasha Extension and Airport Extension, and Hangzhou Metro Line 5 are operated by our associate and joint venture. They all achieved stable operations over the first six months of 2024 with on-time performance of 99.9% and a gradual increase in patronage.

As we have previously reported, HZL1 has been suffering from losses for many 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 and Other Businesses in Mainland China

MTR is also involved in the development of commercial and residential properties as well as station commercial business in Mainland China.

As previously reported, the Company is studying possible strategic options for its malls in Mainland China in light of the challenging retail property market conditions. In consequence of this process, in May 2024 the Company exited its Ginza Mall business in Beijing. The Company will continue to evaluate appropriate options for TIA Mall in Shenzhen as well as the shopping mall at Tianjin Beiyunhe Station. Construction of the shopping mall at Tianjin Beiyunhe Station is targeted for completion in 2024.

Elsewhere, we continued to progress the TOD project at Hangzhou West Station. We are also providing TOD consultancy services for the Xili Comprehensive Transportation Hub in Shenzhen as well as the Beijing Sub-Centre Station in the Tongzhou area of Beijing. Our station commercial business in Chengdu under our joint venture with Chengdu Rail Transit Group is progressing. We are also exploring station commercial business opportunities in other cities in Mainland China.

Macao

MTR operates and maintains Macao's first rapid transit system, the Macao Light Rapid Transit Taipa Line. This service contract for operations and maintenance will end in December 2024. The majority of operations, maintenance works and associated staff were transferred to Macao Light Rapid Transit Corporation, Limited, in the first half of 2024. MTR is also providing project management and technical support services for the Taipa Line Extension to Barra, the Seac Pai Van Line and Hengqin Line.

United Kingdom

During the first half of the year, the Elizabeth line achieved stable operations. The existing concession of the Elizabeth line will run until May 2025, and we are engaged in the competition for the next operating concession.

The existing National Rail Contract for the South Western Railway will end in May 2025. Under the current contract, the Department for Transport retains all revenue risk and substantially all cost risk for this service. South Western Railway achieved stable operations during the first half of the year despite occasional service interruptions resulting from an industry-wide strike action. The new UK Government has announced its intention to bring rail services back into public ownership. The South Western Railway operations could therefore be returned to the government upon expiry of the current contract.

Sweden

Stockholm Metro (Stockholms tunnelbana) achieved stable operations during the period under review. The current contract for this service will end in 2025.

In March 2024, we completed the handover of operations for Stockholms pendeltåg, the commuter rail service serving the greater Stockholm area, to the new operator.

In May 2024, we completed our divestment of MTRX, the intercity service between Stockholm and Gothenburg.

In June 2024, we handed over the operations for Mälartåg, the regional traffic service connecting Stockholm with all major towns in the Mälardalen region, to the new operator.

Australia

The Melbourne metropolitan rail network achieved stable operations during the period under review. Our concession for this service has been further extended to November 2027. We continue to support our client, the Victoria State Government, on various network improvement initiatives, including the opening of the 9-km Metro Tunnel. The new Metro Tunnel will provide a new railway connection through Melbourne's central business district 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 99% service reliability and 98% customer satisfaction on average. We are in the final preparation stage for the opening of the City section of Sydney Metro City and Southwest. Once opened, the City section will add eight new stations to the expanded network, meaning patronage is expected to more than double at peak times.

Growth Outside of Hong Kong

We continue to explore other growth opportunities in Mainland China and overseas, including the Middle East and other Belt and Road countries.

OTHER BUSINESSES

Ngong Ping 360

Revenue from Ngong Ping 360 increased by 63.7% to HK$239 million in the first half of 2024 as visitation rose to 0.77 million. These results were largely due to continued recovery in tourism as well as a series of successful marketing campaigns designed to drive up patronage and spending at the attraction, including seasonal promotions and partnerships with popular IP characters.

Octopus

Our share of profit from Octopus Holdings Limited decreased by 16.7% to HK$225 million in the first half of the year, which mainly resulted from the challenging economic environment and retail performance with the increasing trend of northbound spending. As at 30 June 2024, more than 100,000 service providers in Hong Kong accepted Octopus payments. Total cards and other stored-value Octopus products in circulation were around 30 million.

MTR Academy

The MTR Academy ("MTRA") provides expert railway management and engineering programmes to further careers and build a pipeline of talent to support the future growth of the industry. During the period under review, MTRA continued its outreach efforts to secondary schools to introduce the railway industry and related career opportunities to interested students. MTRA also collaborates with institutions on launching programmes in railway transport for Belt and Road countries to facilitate exchange.

MTR Lab

MTR Lab was established by MTR to support the Company's "New Growth Engine" strategic pillar. As at 30 June 2024, a total of over HK$250 million had been committed towards investments in various innovation and technology funds and start-up companies, both in and outside of Hong Kong. In February 2024, Carbon Wallet, MTR Lab's green rewards platform, became the first point conversion partner of the Environmental Protection Department's GREEN$ Electronic Participation Incentive Scheme. As at 30 June 2024, Carbon Wallet had over 160,000 app downloads and had collaborated with more than 70 partners to build a green ecosystem. Urban Access Solutions Company Limited, a subsidiary under MTR Lab and an access control and electric vehicle charging platform company, collaborated with business partners to develop and roll out new electric vehicle charging services in July 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a caring corporate member of the community, MTR strives to deliver high Environmental, Social and Governance ("ESG") standards throughout its operations. For 2024, the Company has set 43 ESG-related key performance indicators to gauge its effectiveness in delivering on 10 focus areas across three environmental and social objectives: Greenhouse Gas Emissions Reduction, Social Inclusion, and Advancement & Opportunities.

Environmental Aspects

In March, we proudly organised the "Green T Baby Fun Day" community event to promote low-carbon lifestyle habits. It was led by MTR's green ambassador, Green T Baby, and also featured an interactive "Green Experience Zone" as well as "Go Green" booth games for families to enjoy. More than 8,000 people participated in the event. In June, we put our first electric bus into passenger service; a total of 35 buses are expected to be purchased as part of our programme to upgrade existing buses with more environmentally friendly vehicles and further reduce the Company's carbon emissions. During the review period, we also expanded our renewable energy programme by completing solar photovoltaic system installations at Kwun Tong Station, Tuen Mun Depot and Tai Wai Depot.

Social Aspects

As one of the world's leading providers of public transport, MTR works diligently to ensure that its services are safe and accessible for passengers of all ages and abilities. We are also committed to championing diversity, equity and inclusion in our workforce, both among our business partners and throughout the community, by designing social initiatives that provide educational and career opportunities as well as those for arts appreciation.

In early 2024, over 1,000 students participated in training provided under the "'Train' for Life's Journeys 2.0" programme, developing innovative solutions and proposals for a variety of social inclusion topics during the "Social Innovation Challenge" held in April and May. In May, we launched the "EmpowerZ" Traineeship

Pilot Programme for 10 trainees from ethnically diverse backgrounds or those with disabilities, providing job opportunities, tailored training and mentorship.

In the first half of the year, we also continued to host art exhibitions and performances across our network for the enjoyment of the public. Highlights included the restoration of a 5m-long ink inscription by the "King of Kowloon", Mr Tsang Tsou-choi, located on a bridge barrier near Mong Kok East Station, and a series of performances at Hong Kong Station's "Living Art Stage".

Governance

MTR is committed to attaining the highest levels of corporate governance to safeguard the best interests of its shareholders and stakeholders, ensure ethical conduct, and deliver transparency across its operations.

Our enterprise risk management framework covers a broad range of areas and activities to ensure that, inter alia, we protect the safety and health of the general public and staff and deliver on our business while managing the emerging strategic, operational, financial, compliance and reputational risks to which we are subject. This framework also includes preparedness and mitigation measures to enhance resilience and ensure business continuity. We regularly review our top risks, including emerging and ESG-related risks, to take account of constantly evolving business and operating environments. Our "three lines of defence" framework also helps us ensure proactive and effective management of risk. During the period under review, we revised the Enterprise Risk Management manual to include leading best practices and also conducted workshops on specific risk areas to improve our executive risk reporting and oversight.

Safety

As always, we prioritised making our railway operations as safe as reasonably practicable for the benefit of commuters and staff. As at 30 June 2024, the number of reportable events on our heavy rail and light rail networks had decreased by 19% and 9%, respectively, compared to the same period in 2023. As many of these incidents related to escalators, we launched numerous initiatives promoting escalator safety to the public, particularly youth and the elderly. We also continued to raise public awareness in general railway safety by organising various outreach initiatives, including the "Elderly Ambassadors" programme, elderly talks, the "Exploring the MTR" School Talk Programme and "MTR Budding Station Master" programme.

HUMAN RESOURCES

As at 30 June 2024, MTR and its subsidiaries employed 17,905 people in Hong Kong and 13,370 people outside of Hong Kong. Our associates and joint ventures employed an additional 21,390 people in Hong Kong and worldwide. The voluntary staff turnover rate in Hong Kong MTR was 7.0% over the first six months of the year.

MTR is dedicated to attracting and retaining staff, especially in a competitive market. Participation in the CareerConnect Expo and Global Talent Summit helped the Company connect with top-notch talent worldwide. Recruitment efforts were specifically focused on engaging ethnic minorities by highlighting our inclusive workplace culture and career growth opportunities, participating in multicultural job fairs, and organising a recruitment event at the Kowloon Masjid (Mosque) & Islamic Centre. Job shadowing programmes with secondary schools also reflected our dedication to nurturing young talent.

We offer competitive pay and benefits, short- and long-term incentive schemes under our total reward framework, and a broad range of career development opportunities. We invest significantly in staff training, development and career advancement – providing an average of 4.1 training days per employee in Hong Kong over the first six months of the year – and promote work-life balance through a variety of well-being initiatives and family-friendly policies. We support our long-term business growth and succession planning while creating opportunities for youth by continuing to offer programmes in general management and functional professional streams for high-potential graduates as well as apprenticeship and internship recruitment initiatives. We also launched the conditional offer arrangement for Graduate Development Programmes for our eligible summer interns this year.

MTR adopts an employee engagement strategy focused on mutual respect and continuous dialogue to address colleagues' needs and feedback and enhance the employee experience. In the first quarter of 2024, we communicated the results, analyses and insights from our 2023 Employee Engagement Survey to all staff. The results indicated a notable improvement from the previous survey. Ten follow-up action planning taskforces have been formed at the Corporate and Business Unit/ Function levels to design and execute action plans for addressing identified focus areas in the coming 18 months.

FINANCIAL PERFORMANCE

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	**2024**	2023	HK$ million	%
Total Revenue	**29,271**	**27,574**	**1,697**	**6.2**
Recurrent Business Profit [ζ]				
EBIT[#]				
Hong Kong Transport Services				
– Hong Kong Transport Operations	**415**	(774)	1,189	n/m
– Hong Kong Station Commercial Businesses	**1,897**	1,798	99	5.5
Total Hong Kong Transport Services	**2,312**	1,024	1,288	125.8
Hong Kong Property Rental and Management Businesses	**2,154**	1,990	164	8.2
Mainland China and International Railway, Property Rental and Management Subsidiaries	**486**	290	196	67.6
Other Businesses, Project Study and Business Development Expenses	**(178)**	(146)	(32)	(21.9)
Share of Profit of Associates and Joint Ventures	**673**	632	41	6.5
Total Recurrent EBIT	**5,447**	**3,790**	**1,657**	**43.7**
Interest and Finance Charges	**(517)**	(626)	109	17.4
Income Tax	**(806)**	(569)	(237)	(41.7)
Non-controlling Interests	**(100)**	(175)	75	42.9
Recurrent Business Profit	**4,024**	**2,420**	**1,604**	**66.3**
Property Development Profit (Post-tax)				
Hong Kong	**1,722**	712	1,010	141.9
Mainland China	**18**	20	(2)	(10.0)
Property Development Profit (Post-tax)	**1,740**	**732**	**1,008**	**137.7**
Underlying Business Profit [ε]	**5,764**	**3,152**	**2,612**	**82.9**
Gain from Fair Value Measurement of Investment Properties (Post-tax)				
(Loss)/Gain from Fair Value Remeasurement on Investment Properties	**(810)**	21	(831)	n/m
Gain from Fair Value Measurement of Investment Properties on Initial Recognition from Property Development	**1,090**	1,005	85	8.5
Gain from Fair Value Measurement of Investment Properties (Post-tax)	**280**	**1,026**	**(746)**	**(72.7)**
Net Profit Attributable to Shareholders of the Company	**6,044**	**4,178**	**1,866**	**44.7**

ζ : Recurrent business profit represents profit from the Group's Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, Mainland China and international railway, property rental and management businesses, and other businesses (excluding fair value measurement of investment properties in Hong Kong and Mainland China)

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

ε : Underlying business profit represents profit from the Group's recurrent businesses and property development businesses

n/m: not meaningful

For the six months ended 30 June 2024, the Group is pleased to report satisfactory improvement in recurrent business profit, which benefited from continued recovery in its Domestic, Cross-boundary and HSR services due to increased travel frequency by Hong Kong and Mainland Chinese passengers. Our property development business recorded profit, mainly from THE SOUTHSIDE Package 1 and Package 2 as well as LOHAS Park Package 11.

Total Revenue

The Group's total revenue for the six months ended 30 June 2024 increased by 6.2% to HK$29,271 million compared to the same period in 2023. This was mainly contributed by (i) increased revenue in our Hong Kong transport operations ("HKTO"), which was driven by continued recovery in patronage, particularly on the Cross-boundary and HSR services, (ii) additional contributions from our two new shopping malls, The Wai and THE SOUTHSIDE, since the second half of 2023, and (iii) higher revenue from the Hong Kong station commercial business, as station retail benefited from a full six-month of rental revenue following the resumption of Duty Free Shop operations and advertising revenue improved. The increase in revenue was partly offset by (i) decreased revenue from the project works in our Melbourne franchise and (ii) decreased revenue in Sweden after the early termination of the concession for Stockholms pendeltåg in March 2024.

Recurrent Business Profit

The Group recorded recurrent business profit of HK$4,024 million for the six months ended 30 June 2024, compared to HK$2,420 million over the same period last year. The increase of HK$1,604 million, or 66.3%, was mainly attributable to improved EBIT for HKTO due to the aforementioned patronage recovery as well as improved financial performance in Sweden as no loss booked during the period under review. Loss provisions had already been made for Stockholms pendeltåg and Mälartåg regional traffic in the second half of 2023.

EBIT

HKTO: EBIT for the six-month period was a profit of HK$415 million, compared to a loss of HK$774 million in the same period in 2023. The improvement of HK$1,189 million was the result of higher revenue brought by (i) recovery in patronage, especially in Cross-boundary and HSR services, and (ii) fare increase under the Fare Adjustment Mechanism net of concessions. These favourable impacts were partly offset by (i) increased operating expenses associated with enhanced services and inflation (such as higher staff costs, railway support and maintenance costs) and (ii) higher variable annual payment to KCRC in line with increased revenue, levied at the top progressive rate of 35%.

Hong Kong station commercial businesses: EBIT increased by HK$99 million, or 5.5%, to HK$1,897 million for the six months ended 30 June 2024. This was mainly due to higher station retail rental revenue, which was driven by (i) the full-period impact of resumed Duty Free Shop operations and (ii) lower amortisation of rental concessions charged for other station kiosks during the six months ended 30 June 2024. The impact was partially offset by higher variable annual payment to KCRC owing to a higher level of revenue subject to variable annual payment.

Hong Kong property rental and management businesses: EBIT increased by HK$164 million, or 8.2%, to HK$2,154 million for the six months ended 30 June 2024. This was mainly due to (i) additional contributions from the Company's two new shopping malls, The Wai and THE SOUTHSIDE, and (ii) lower amortisation of rental concessions charged for the six months ended 30 June 2024. These factors were partly offset by the adverse impacts of (i) a lower occupancy rate for the Company's 18 floors in Two International Finance Centre during the reporting period and (ii) overall negative rental reversions as increased northbound consumer spending affected the gradual recovery of the retail market.

Mainland China and international railway, property rental and management subsidiaries: For the six months ended 30 June 2024, EBIT saw an increase of HK$196 million, or 67.6%, to HK$486 million. This was mainly due to there being no further losses booked for Stockholms pendeltåg and Mälartåg regional traffic in 2024, as loss provisions had already been made in the second half of last year. The increase was partly offset by the loss from the disposal of the Group's operation in Beijing Ginza Mall during the period under review.

Other businesses, project study and business development expenses: EBIT loss from these businesses was HK$178 million for the six months ended 30 June 2024, compared to the loss of HK$146 million recorded over the same period in 2023. The increase in loss was due to increased project study and business development expenses, which was partly mitigated by the 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$41 million, or 6.5%, to HK$673 million for the six months ended 30 June 2024. This was mainly the result of higher contribution from our operations in Mainland China due to patronage recovery.

Income Tax

Income tax increased by HK$237 million, or 41.7%, to HK$806 million for the six months ended 30 June 2024, which was mainly due to the increase in Hong Kong recurrent business profit.

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 2024/2025 amounted to HK$5.4 billion (for the years of tax assessment from 2007/2008 to 2023/2024: HK$5.1 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. After discussing with the external legal counsels and tax advisor on the approach to the appeal, the Company decided not to pursue its deduction claims in respect of the amortisation of upfront payment and cut-over liabilities during the opening submission before Board of Review. As the Company had already made the related tax provision for the amortisation of upfront payment and cut-over liabilities in the past years taking into account the uncertainty in their tax deductibility, no additional tax provision is required.

As mentioned above, the total tax amount in respect of the Sums for the years of tax assessment from 2007/2008 to the first six months of 2024/2025 amounted to HK$5.4 billion (for the years of tax assessment from 2007/2008 to 2023/2024: HK$5.1 billion). As of 30 June 2024, the related tax provision made for the amortisation of upfront payment and cut-over liabilities amounted to HK$0.2 billion (as of 31 December 2023: HK$0.2 billion). The hearing of appeal was held before the Board of Review in early 2024.

On 6 August 2024, the Board of Review has issued its decision ("the Board of Review Decision") and has disagreed with the deduction claims of the fixed annual payments and variable annual payments for the years of assessment from 2011/2012 to 2017/2018. It confirmed the relevant profits tax assessment/additional profits tax assessments in respect of the fixed annual payments and variable annual payments being non-tax deductible.

The Company is in the process of reviewing the Board of Review Decision. The Company has conferred with external legal counsel and its tax advisor and the initial advice obtained is that the Company currently continues to have strong legal grounds to support its position. As such, as of the date of this interim financial report, no additional tax provision has been made. The review is ongoing and the Company reserves its position on this matter. Further details are set out in Note 8B "Income Tax" to this interim financial report.

Property Development Profit (Post-tax)

Property development profit (post-tax) was HK$1,740 million for the six months ended 30 June 2024, representing an increase of HK$1,008 million from the same period in 2023. The profit was mainly derived from further profits recognised from THE SOUTHSIDE Package 1 and Package 2 as well as LOHAS Park Package 11.

Gain 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$280 million for the six months ended 30 June 2024. This comprised (i) a further recognition of HK$1,090 million in valuation gain arising from the reduction in outstanding risks and obligations for our sharing-in-kind investment property received last year (i.e., THE SOUTHSIDE shopping mall) and (ii) a loss of HK$810 million from investment property fair value remeasurement.

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$6,044 million for the six months ended 30 June 2024, an increase of HK$1,866 million, or 44.7%, compared to the HK$4,178 million recorded for the same period in 2023.

CONSOLIDATED FINANCIAL POSITION

HK$ million	At 30 June 2024	At 31 December 2023	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Net Assets	**178,953**	178,856	97	0.1
Total Assets	**361,017**	346,426	14,591	4.2
Total Liabilities	**182,064**	167,570	14,494	8.6
Gross Debt^	**70,418**	59,491	10,927	18.4
Net Debt-to-equity Ratio$^{\delta}$	**27.5%**	26.5%		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$49,285 million (31 December 2023: HK$47,316 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$178,953 million (31 December 2023: HK$178,856 million)*

Net Assets

Our financial position remains strong. The Group's net assets increased slightly by 0.1% to HK$178,953 million as at 30 June 2024. This was mainly due to (i) the net profit recognised for the six months ended 30 June 2024, partly offset by (ii) the accrual of the 2023 final ordinary dividend for payment in July 2024.

Total Assets

Total assets increased slightly by 4.2% to HK$361,017 million. This was mainly due to (i) the increase in cash, bank balances and deposits as well as (ii) the additions of railway construction in progress relating to the Tung Chung Line Extension, Tuen Mun South Extension and Kwu Tung Station projects.

Total Liabilities

Total liabilities increased by 8.6% to HK$182,064 million. This was mainly due to (i) the net drawdown of loans and (ii) the accrual of the 2023 final ordinary dividend.

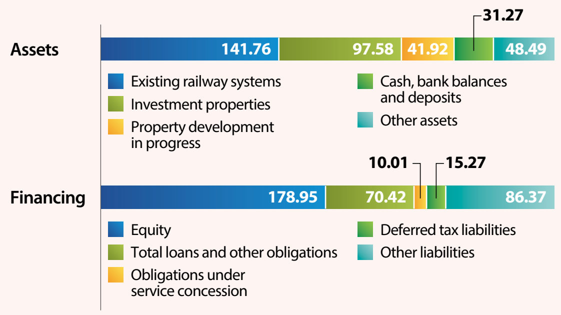
Gross Debt and Cost of Borrowing

As at 30 June 2024, the Group's gross debt (being loans and other obligations and short-term loans) increased by 18.4%, or HK$10,927 million, to HK$70,418 million, compared with the balance as at 31 December 2023. The weighted average borrowing cost of the Group's interest-bearing borrowings for the six months ended 30 June 2024 was at 3.8% p.a., an increase of 0.5% point over the same period in 2023.

Simplified Consolidated Financial Position

As at 30 June 2024

(HK$ billion)



Net Debt-to-equity Ratio and Interest Cover

Net debt-to-equity ratio increased by 1.0% point to 27.5% as at 30 June 2024 from 26.5% as at 31 December 2023. This was mainly due to the increase of net debt in capital expenditure for new railway projects. The Group's interest cover for the six months ended 30 June 2024 was 11.6 times compared to 9.2 times during the same period in 2023.

CONSOLIDATED CASH FLOWS

HK$ million	Six months ended 30 June 2024	2023
Net Cash Generated from Operating Activities	**8,179**	**3,870**
Net (Payments)/Receipts from Property Development	**(21)**	4,533
Capital Expenditure	**(7,571)**	(5,200)
Variable Annual Payment	**(2,355)**	(323)
Other Net Cash Inflow from Investing Activities	**323**	205
Net Cash Used in Investing Activities	**(9,624)**	**(785)**
Net Drawdown of Debts, Net of Lease Rental and Interest Payments	**10,680**	5,223
Other Net Cash Outflow from Financing Activities	**(221)**	(376)
Net Cash Generated from Financing Activities	**10,459**	**4,847**
Effect of Exchange Rate Changes	**(217)**	(110)
Cash, Bank Balances and Deposits Classified as Disposal Group Held for Sale at the Beginning of the Period and Disposed of During the Period	**94**	–
Increase in Cash, Bank Balances and Deposits	**8,891**	**7,822**

Net Cash Generated from Operating Activities

Net cash generated from operating activities was HK$8,179 million for the six months ended 30 June 2024 compared to HK$3,870 million for the same period in 2023. This was mainly due to the increase in recurrent business profit and lower tax payment made during the period.

Net Payments from Property Development

Net payments from property development were HK$21 million, comprising (i) cash payments of HK$409 million primarily for the Oyster Bay project and LOHAS Park packages, which were offset by (ii) cash receipts of HK$388 million, mainly from the various LOHAS Park packages.

Capital Expenditure

Capital expenditure was HK$7,571 million, comprising (i) HK$4,456 million for investments in additional assets such as station renovation works, new trains and signalling systems for existing Hong Kong railways and related operations, (ii) HK$2,451 million for Hong Kong railway extension projects, (iii) HK$289 million for Hong Kong investment properties, in particular fitting-out works for THE SOUTHSIDE, and (iv) HK$375 million for Mainland China and overseas subsidiaries, including Shenzhen Metro Line 13 Phase 1 project.

FINANCING ACTIVITIES

The United States Federal Reserve kept the Federal Funds Target Rate unchanged at a range of 5.25%-5.50% p.a. in the first half of 2024. The Secured Overnight Financing Rate ("SOFR") traded in a tight range between 5.30% p.a. and 5.40% p.a. over these six months. However, the three-month HKD Hibor dropped from 5.15% p.a. at the beginning of the year to 4.75% p.a. by the end of June. For the longer tenors, the 10-year US Treasury yield rose from 3.88% p.a. to 4.40% p.a., and the 10-year HKD swap rate increased from 3.36% p.a. to 3.69% p.a.

In the first half of 2024, the Company arranged HK$15.7 billion in new financing, including HK$14.1 billion from MTN issuances with maturities ranging between two and 30 years as well as HK$1.6 billion in five-year bank credit facilities. Approximately HK$2.5 billion of the new 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 2024 was HK$70.4 billion, with a cash and deposit balance of HK$31.3 billion and undrawn committed facilities of over HK$19.0 billion.

The weighted average cost of the Group's interest-bearing borrowings over the first six months was 3.8% p.a., compared with 3.3% p.a. for the same period in 2023.

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 2024