MOVING FORWARD

Interim Report 2024

Stock code: 66

2024 INTERIM RESULTS FINANCIAL HIGHLIGHTS

Total Revenue	HK$**29.3** billion ▲ **6.2%**
Recurrent Business Profit	HK$**4.0** billion ▲ **66.3%**
Property Development Profit	HK$**1.7** billion ▲ **137.7%**
Gain from Fair Value Measurement of Investment Properties	HK$**0.3** billion ▼ **72.7%**
Net Profit Attributable to Shareholders of the Company	HK$**6.0** billion ▲ **44.7%**
Interim Ordinary Dividend	HK$**0.42** per share (same as 2023 interim)
Total Assets	HK$**361.0** billion ▲ **4.2%** (vs 31 December 2023)
Net Assets	HK$**179.0** billion ▲ **0.1%** (vs 31 December 2023)
Net Debt-to-equity Ratio	**27.5** % ▲ **1.0% pt.** (vs 31 December 2023)

CONTENTS

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 Areas

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

Corporate Strategy
3 Strategic Pillars

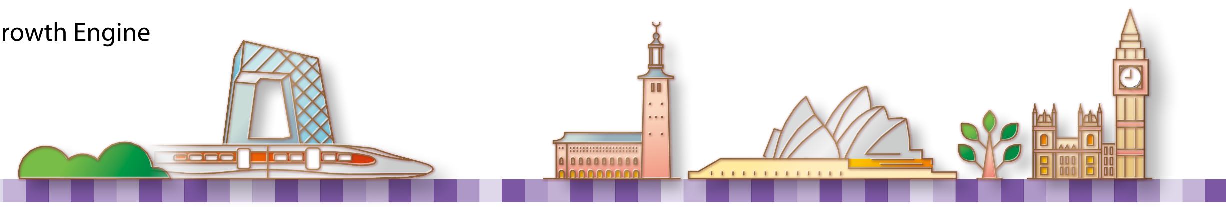
Hong Kong Core

Mainland China and International Businesses

New Growth Engine

Interim Report 2024

Sustainability Report 2023



OUR NETWORK

LEGEND

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

EXISTING NETWORK

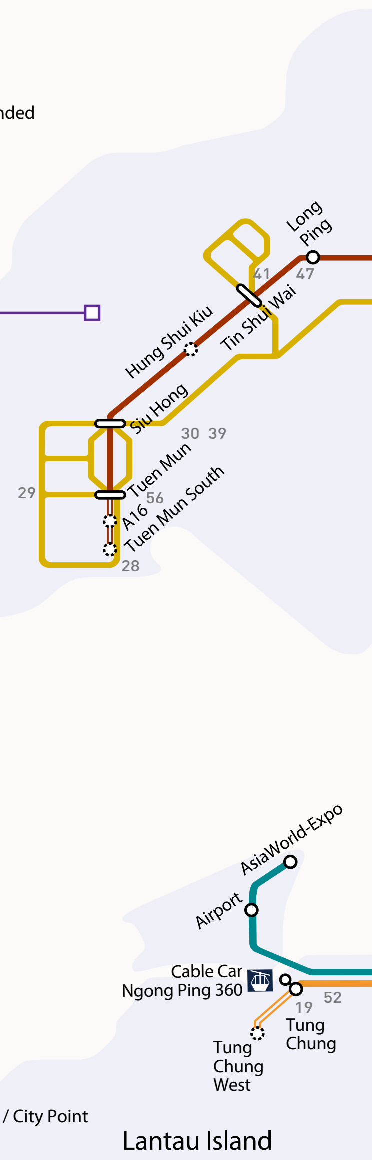
- Airport Express
- Disneyland Resort Line
- East Rail Line
- High Speed Rail
- Island Line
- Kwun Tong Line
- Light Rail
- South Island Line
- Tseung Kwan O Line
- Tsuen Wan Line
- Tuen Ma Line
- Tung Chung Line

PROJECTS IN PROGRESS

- Tuen Mun South Extension
- Kwu Tung Station
- Tung Chung Line Extension: Tung Chung East and Tung Chung West stations
- Airport Railway Extended Overrun Tunnel
- Oyster Bay Station

POTENTIAL FUTURE EXTENSIONS

- Northern Link
- Northern Link Spur Line
- South Island Line (West)
- 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 / THE SOUTHSIDE
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

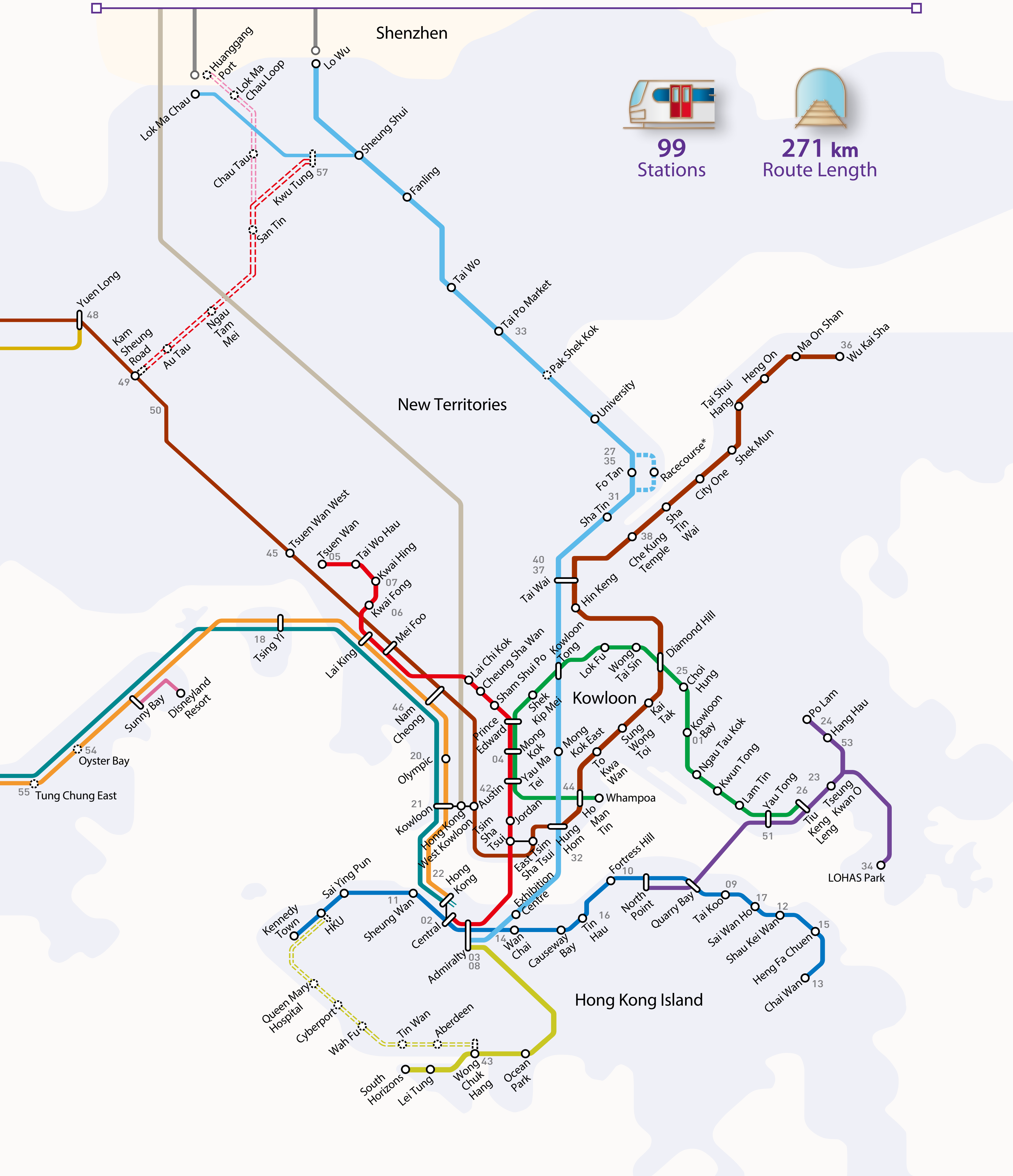
34 LOHAS Park Packages
40 Tai Wai Station Packages
41 Tin Wing Stop
43 THE SOUTHSIDE Packages
44 Ho Man Tin Station Packages
51 Yau Tong Ventilation Building
52 Tung Chung Traction Substation
53 Pak Shing Kok Ventilation Building
54 Oyster Bay Packages
55 Tung Chung East Station Packages
56 A16 Station Packages
57 Kwu Tung Station Packages

WEST RAIL 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 The YOHO Hub
49 Kam Sheung Road Station Packages
50 Pat Heung Maintenance Centre

MAINLAND CHINA AND INTERNATIONAL BUSINESSES

HONG KONG OPERATING NETWORK WITH FUTURE EXTENSIONS



Note: Intercity passenger services are currently suspended until further notice.

CHAIRMAN'S LETTER

Dear Shareholders and other Stakeholders,

This year marks the 45th anniversary of the first commencement of MTR Corporation Limited's metro service. This occasion gives me the chance not only to reflect on the role the Company has played in the development of Hong Kong's infrastructure, economy and society over the past five decades, but also to envision what the future holds for our organisation and the city we call home.

MTR's railway system has flourished since the commencement of railway operations in 1979, thriving in the fertile ground of Hong Kong's urban landscape and connecting people, neighbourhoods and commercial activities with world-class mass transit services. Just two years ago, we saw the conclusion of an important expansion programme that ended – quite fittingly – with the very first heavy rail line in Hong Kong, the now-114-year-old, upgraded East Rail Line, stretching from the cross-boundary stations of Lo Wu and Lok Ma Chau southward all the way across Victoria Harbour to Hong Kong Island and the bustling district of Admiralty. With the city's extraordinary growth over the past decades has come the vital need to connect communities ever more efficiently, and MTR has been there every step of the way to help by providing efficient and reliable mass transit service, which has played an indispensable role in driving urban progress.

Now, we are embarking upon a new stage of growth and development, with several new railway projects being planned or launched to support Hong Kong's future growth and strategic positioning. Under the ownership approach, MTR is responsible for the financing, design, construction, operations and decades-long maintenance of these new projects. Leveraging the "Rail plus Property" business model, the value created from developing the land around the railways will help provide funding through property development to meet the substantial investment and expenditure required for railway construction and maintenance. This new round of railway projects is not only part of our efforts to support

Hong Kong's continued growth, but also an investment in our future. Through consistently professional and prudent planning, we will ensure that the funds and resources needed to support the city's economic and social progress and drive the Company's continued development are available in a timely manner. Even given today's prevailing macroeconomic and geopolitical uncertainties, I believe MTR's track record shows that it is up to this challenge. The Company is firmly committed to practising strong corporate governance and maintaining a healthy financial position. It has also shown it can adapt with the times by diversifying its businesses and integrating new technology to power the type of growth required for the funding of important new projects.

MTR's mission to "Keep Cities Moving" fundamentally means putting the interests of people in Hong Kong and other cities at the core of our organisation's social value. As a listed company, we are also committed to enhancing shareholder value and sustaining our solid growth through efficient asset management, excellent operational performance and sound long-term investment strategy.

In celebration of MTR's 45 years of togetherness with Hong Kong, we are hosting a series of activities to engage with the public and reinforce the bonding we have built throughout the years. One of the highlights is the "Station Rail Voyage" exhibition, opened in Hung Hom Station in April. This showcase highlights MTR's history and the development of rail transit in Hong Kong with historical artifacts and interactive displays as we set the scene for the next chapter in the growth story of MTR and Hong Kong.

BUSINESS PERFORMANCE AND GROWTH

The first half of 2024 saw MTR make solid progress in the areas of network expansion and railway enhancement. We are moving forward with a number of important projects under Government's Railway Development Strategy 2014 and Northern Metropolis development strategy that will support Hong Kong's long-term planning and growth. Major construction works have commenced for Oyster Bay Station, the Tung Chung Line Extension, Kwu Tung Station on the East Rail Line and the Tuen Mun South Extension. This March, the Chief Executive in Council also authorised the construction of Hung Shui Kiu Station, which will predominantly serve the future Hung Shui Kiu/ Ha Tsuen New Development Area west of the Northern Metropolis.

We continue to "Go Smart Go Beyond" by introducing innovations that make our existing systems and services more environmentally friendly and convenient. We are also keenly focused on mobility to ensure that MTR's stations and trains are accessible to people from all walks of life.

MTR is a company deeply rooted in Hong Kong but also with aspirations to serve communities in Mainland China, including the Greater Bay Area, as well as overseas. In Australia, we welcomed the extension of the Melbourne metropolitan rail network concession to November 2027. For the Elizabeth line in the UK, we are engaged in the competition for the next operating concession.
In Mainland China, we continue to progress the Shenzhen Metro Line 13 Phase 1 project, and the initial section is planned to commence passenger service within this year.

FINANCIAL PERFORMANCE

Over the first six months of the year, patronage of Cross-boundary Service, Domestic Service and High Speed Rail continued to improve, driving an increase in overall fare revenue. Along with the gradual recovery of our station commercial and shopping mall businesses, this has resulted in an increase in profit attributable to equity shareholders from recurrent businesses to HK$4,024 million. Together with property development profit of HK$1,740 million, profit arising from underlying businesses was HK$5,764 million, an 82.9% increase over the comparable period in 2023. Including the gain arising from fair value measurement of investment properties of HK$280 million, net profit attributable to shareholders of the Company increased by 44.7% year on year to HK$6,044 million, representing earnings per share of HK$0.97. While these figures represent significant year-on-year increases compared to the pandemic period, they also represent the on-going slow and steady recovery since the difficulties of that time. Your Board has declared an interim dividend of HK$0.42 per share, same as the first six months of 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

MTR adheres to a robust environmental, social and governance ("ESG") framework to achieve sustainable growth while also protecting the wider interests of its communities. Each year, we define our key performance indicators ("KPIs") according to 10 focus areas covering three primary environmental and social objectives: reducing Greenhouse Gas Emissions, promoting Social Inclusion, and fostering Advancement & Opportunities. For 2024, we have identified 43 such ESG-related KPIs. We also seek to attain world-class standards of corporate governance to ensure that our business – and that of our partners and suppliers – is conducted both ethically and transparently.

Reducing Greenhouse Gas Emissions

MTR prioritises energy efficiency and carbon reduction to help create a better, greener world for future generations. In our focus area of Carbon Emissions, we put the first of what will be many electric buses into passenger service. In Green and Low-carbon Design, seven new stations successfully attained "BEAM Plus" Provisional Gold certification or higher. In Clean Energy and Energy Efficiency, we successfully installed solar photovoltaic systems at Kwun Tong Station, Tuen Mun Depot and Tai Wai Depot, planned the trial of a non-revenue, hydrogen-fuelled light rail vehicle, and continued replacing conventional lights with LED lights in stations and depots. In Waste Management, we continued our "Legacy Train Revitalisation Programme" by donating decommissioned train carriages and components for repurposing. We were also delighted to host the "Green T Baby Fun Day", a community event where more than 8,000 residents participated in activities designed to promote a low-carbon lifestyle.

Promoting Social Inclusion

Diversity and Inclusion lie at the heart of what we do as a mass transit leader. In honour of International Women's Day, we hosted a lunchtime Music Therapy session to raise awareness of employee well-being, inclusivity and gender equity in the workplace. Also in the first half of 2024, we launched "EmpowerZ", a Traineeship Pilot Programme for trainees from ethnically diverse backgrounds or those with disabilities.

Volunteering is an important part of our social outreach efforts. As at 30 June 2024, 157 volunteering projects had been organised under the "More Time Reaching Community" Scheme involving a total participating headcount of 2,827 volunteers.

Fostering Advancement & Opportunities

Our people are our most important assets. We strive to help our colleagues advance their careers by investing in comprehensive training that provides the essential professional skills and capabilities necessary for success. Nurturing a culture of continuous learning ultimately enables us to attract and retain talented individuals who can grow together with the Company.

Starting in February, we held the "'Train' for Life's Journeys 2.0 Programme – The Social Innovation Challenge", an event structured to develop young people's future skills and innovative capacity in areas including design thinking, entrepreneurship, financial literacy and AI application. More than 400 students from 110 teams submitted proposals for innovative solutions in the areas of disability inclusion, ethnic diversity, gender equity and intergenerational relationships with the support of our ESG Project Allies.

Governance

As a cornerstone company of Hong Kong, MTR strives to build and maintain trust among its shareholders and stakeholders by adhering to the highest standards of corporate governance, ethics and transparency. We are also committed to achieving inclusion and diversity.

ACKNOWLEDGEMENTS AND APPRECIATION

I would like to take this opportunity to thank Dr Dorothy Chan Yuen Tak-fai and Ms Rose Lee Wai-mun, who retired from the Board as Independent Non-executive Directors ("INEDs") on 22 May 2024, for their leadership and valuable contributions to the Company. I would also like to welcome Mrs Ayesha Macpherson Lau as an INED of the Board, effective 22 May 2024. Additionally, I am honoured to have been reappointed as Chairman for another one-and-a-half-year term up to 31 December 2025. I look forward to working with the Board, MTR's executives and management, and our tens of thousands of staff in Hong Kong and around the world as we continue our mission to Keep Cities Moving.

Over the past 45 years, MTR has served its communities with the utmost professionalism to deliver safe, efficient, environmentally friendly and inclusive rail services. I am excited to see where the future will take us as we move to the next important stage in Hong Kong's infrastructural and economic development.

Dr Rex Auyeung Pak-kuen
Chairman
Hong Kong, 15 August 2024

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.

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

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

	Six months ended 30 June		
HK$ million	**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.

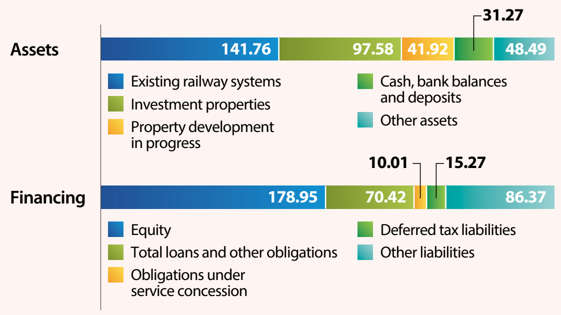
Gross Debt and Cost of Borrowing

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.

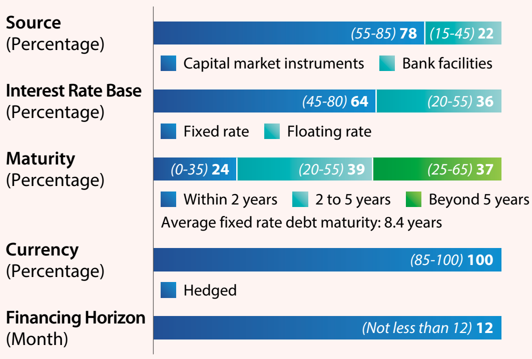
The Group's consolidated gross debt position at the end of June 2024 was HK$70.4 billion, with a cash and deposit balance of HK$31.3 billion and undrawn committed facilities of over HK$19.0 billion.

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



KEY FIGURES

	Six months ended 30 June				Favourable/ (Unfavourable) Change %
	2024		2023		
	HK$ million	**%**	HK$ million	%	
Total revenue					
Recurrent business revenue					
– Hong Kong transport services					
– Hong Kong transport operations	**11,138**	**38.1**	9,342	33.9	19.2
– Hong Kong station commercial businesses	**2,638**	**9.0**	2,415	8.8	9.2
– Total Hong Kong transport services	**13,776**	**47.1**	11,757	42.7	17.2
– Hong Kong property rental and management businesses	**2,688**	**9.2**	2,456	8.9	9.4
– Mainland China and international railway, property rental and management subsidiaries	**12,429**	**42.4**	13,079	47.4	(5.0)
– Other businesses	**378**	**1.3**	282	1.0	34.0
	29,271	**100.0**	27,574	100.0	6.2
Property development business revenue					
– Mainland China property development	**–**	**–**	–	–	–
Total revenue	**29,271**	**100.0**	27,574	100.0	6.2
Total EBITDA[1]					
Recurrent business EBITDA					
– Hong Kong transport services					
– Hong Kong transport operations	**4,059**	**36.4**	2,680	33.4	51.5
– Hong Kong station commercial businesses	**2,328**	**20.9**	2,160	26.9	7.8
– Total Hong Kong transport services	**6,387**	**57.3**	4,840	60.3	32.0
– Hong Kong property rental and management businesses	**2,163**	**19.4**	1,998	24.9	8.3
– Mainland China and international railway, property rental and management subsidiaries	**709**	**6.4**	532	6.6	33.3
– Other businesses, project studies and business development expenses	**(145)**	**(1.3)**	(114)	(1.4)	(27.2)
	9,114	**81.8**	7,256	90.4	25.6
Property development business EBITDA					
– Hong Kong property development	**2,024**	**18.2**	783	9.7	158.5
– Mainland China property development	**(2)**	**–**	(9)	(0.1)	77.8
	2,022	**18.2**	774	9.6	161.2
Total EBITDA	**11,136**	**100.0**	8,030	100.0	38.7
Total EBIT[2]					
Recurrent business EBIT					
EBIT					
– Hong Kong transport services					
– Hong Kong transport operations	**415**	**5.6**	(774)	(17.0)	n/m
– Hong Kong station commercial businesses	**1,897**	**25.4**	1,798	39.4	5.5
– Total Hong Kong transport services	**2,312**	**31.0**	1,024	22.4	125.8
– Hong Kong property rental and management businesses	**2,154**	**28.8**	1,990	43.6	8.2
– Mainland China and international railway, property rental and management subsidiaries	**486**	**6.5**	290	6.4	67.6
– Other businesses, project studies and business development expenses	**(178)**	**(2.4)**	(146)	(3.2)	(21.9)
Share of profit of associates and joint ventures	**673**	**9.0**	632	13.8	6.5
	5,447	**72.9**	3,790	83.0	43.7
Property development business EBIT					
– Hong Kong property development	**2,024**	**27.1**	783	17.2	158.5
– Mainland China property development	**(2)**	**–**	(9)	(0.2)	77.8
	2,022	**27.1**	774	17.0	161.2
Total EBIT	**7,469**	**100.0**	4,564	100.0	63.7
Gain from fair value measurement of investment properties	**280**		1,005		(72.1)
Interest and finance charges	**(494)**		(589)		16.1
Profit before taxation	**7,255**		4,980		45.7
Income tax	**(1,111)**		(627)		(77.2)
Profit for the period	**6,144**		4,353		41.1
Non-controlling interests	**(100)**		(175)		42.9
Profit for the period attributable to shareholders of the Company	**6,044**		4,178		44.7
Profit for the period attributable to shareholders of the Company arising from:					
Recurrent businesses					
– in Hong Kong	**3,482**		2,227		56.4
– outside Hong Kong	**542**		193		180.8
	4,024		2,420		66.3
Property development businesses					
– in Hong Kong	**1,722**		712		141.9
– outside Hong Kong	**18**		20		(10.0)
	1,740		732		137.7
Underlying businesses	**5,764**		3,152		82.9
Fair value measurement of investment properties	**280**		1,026		(72.7)
Total profit for the period attributable to shareholders of the Company	**6,044**		4,178		44.7

Notes:

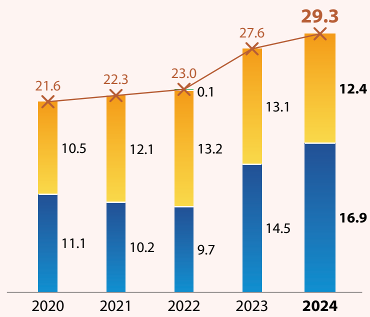
1 *EBITDA represents operating profit/(loss) before fair value measurement of investment properties, depreciation, amortisation, variable annual payment, share of profit of associates and joint ventures, interest, finance charges and taxation.*

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

n/m: not meaningful

Total Revenue
(six months ended 30 June)
(HK$ billion)

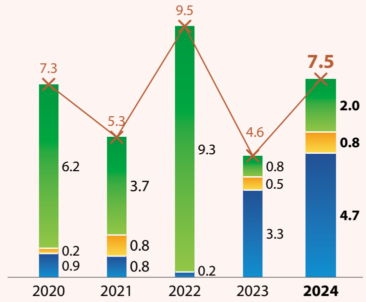
HK$29.3 billion
↑6.2%



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

Total EBIT
(six months ended 30 June)
(HK$ billion)

HK$7.5 billion
↑63.7%

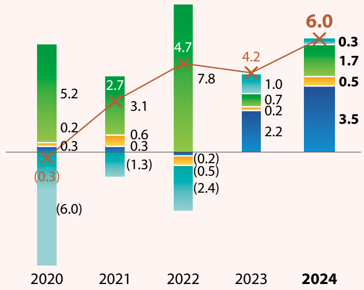


- Property Development Businesses
- Recurrent Businesses – Mainland China and International*
- Recurrent Businesses – Hong Kong
- Total EBIT

* *Including Share of Profit from Associates and Joint Ventures, and Project Studies and Business Development Expenses from Mainland China and International Businesseses*

Net Profit/(Loss) Attributable to Shareholders of the Company
(six months ended 30 June)
(HK$ billion)

HK$6.0 billion
↑44.7%



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

	Six months ended 30 June 2024	2023	Favourable/ (Unfavourable) Change %
Financial ratios			
EBITDA margin[(3)] *(in %)*	**31.1**	26.3	4.8% pts.
EBITDA margin[(3)] (excluding Mainland China and international subsidiaries[δ]) *(in %)*	**49.9**	46.4	3.5% pts.
EBIT margin[(4)] *(in %)*	**16.3**	11.4	4.9% pts.
EBIT margin[(4)] (excluding Mainland China and international subsidiaries[φ]) *(in %)*	**25.5**	19.8	5.7% pts.
Net debt-to-equity ratio[(5)] (at 30 June 2024/31 December 2023) *(in %)*	**27.5**	26.5	(1.0)% pt.
Interest cover[(6)] *(times)*	**11.6**	9.2	2.4 times
Share information			
Basic earnings per share *(in HK$)*	**0.97**	0.67	44.8
Basic earnings per share arising from underlying businesses *(in HK$)*	**0.93**	0.51	82.4
Interim ordinary dividend per share *(in HK$)*	**0.42**	0.42	–
Share price (at 30 June 2024/31 December 2023) *(in HK$)*	**24.65**	30.30	(18.6)
Market capitalisation (at 30 June 2024/31 December 2023) *(in HK$ million)*	**153,254**	188,381	(18.6)
Hong Kong Transport Operations			
Total passenger boardings *(in million)*			
Domestic Service	**787.5**	777.2	1.3
Cross-boundary Service	**46.5**	28.1	65.6
High Speed Rail	**12.7**	7.6~	66.9
Airport Express	**6.2**	4.6	37.1
Light Rail and Bus	**104.5**	102.6	1.9
Average number of passengers *(in thousand)*			
Domestic Service *(weekday)*	**4,651.1**	4,599.1	1.1
Cross-boundary Service *(daily)*	**255.5**	155.1	64.7
High Speed Rail *(daily)*	**69.7**	45.6~	52.9
Airport Express *(daily)*	**34.4**	25.2	36.4
Light Rail and Bus *(weekday)*	**608.3**	596.4	2.0
Average fare *(in HK$)*			
Domestic Service	**8.54**	8.26	3.4
Cross-boundary Service	**31.53**	30.00	5.1
High Speed Rail	**79.15**	84.25	(6.1)
Airport Express	**62.39**	61.29	1.8
Light Rail and Bus	**3.21**	3.15	2.2
Proportion of franchised public transport boardings (January to May) *(in %)*	**50.1**	49.6	0.5% pt.

Notes:

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

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

5 *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.*

6 *Interest cover represents operating profit before fair value measurement of investment properties, depreciation, amortisation, variable annual payment and share of profit of associates and joint ventures divided by interest and finance charges before capitalisation.*

δ *Excluding the relevant revenue and expenses of Mainland China and international subsidiaries of HK$12,429 million and HK$11,722 million (2023: HK$13,079 million and HK$12,556 million) respectively.*

φ *Excluding the relevant revenue, expenses, and depreciation and amortisation of Mainland China and international subsidiaries of HK$12,429 million, HK$11,722 million, and HK$223 million (2023: HK$13,079 million, HK$12,556 million, and HK$242 million) respectively.*

~ *High Speed Rail service resumed on 15 January 2023. The number of passengers only counts the days from 15 January 2023 to 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 15 August 2024)

		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 (Angela Lee Chung-yan)		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			
Cheng Yan-kee				M	C			
Hui Siu-wai				M	M			
Ayesha Macpherson Lau		M					M	
Sunny Lee Wai-kwong					M			C
Jimmy Ng Wing-ka			M					M
Dr Carlson Tong		M					M	
Sandy Wong Hang-yee			M			M		
Adrian Wong Koon-man		M		C				
Professor Anna Wong Wai-kwan		C					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		
Jeny Yeung Mei-chun (Managing Director – Hong Kong Transport Services)	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							
Michael George Fitzgerald (Finance Director)	M							
Dr Tony Lee Kar-yun (Operations and Innovation 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							

C : Chairman
M : Member

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.

During the six months ended 30 June 2024 (the "Period"), the Company amended the terms of reference of the Nominations Committee ("NC") to allow more flexibility in its membership composition. The updated terms of reference of the NC are available on the respective websites of the Company (www.mtr.com.hk) and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Recognising the importance of maintaining gender diversity on the Board, in 2022, the Company made a pledge to maintain not less than 20% female members on the Board with immediate effect and set a target of achieving 25% female members on the Board by 2025, as noted in the Company's Board Diversity Policy, which is available on the Company's website (www.mtr.com.hk). Since 2022, the Board has had more than 20% female members and currently has four female members, representing over 22% of the Board membership. The Company will continue to make best efforts to meet its target of having 25% female representation by 2025.

CORPORATE GOVERNANCE CODE COMPLIANCE

During the Period, the Company has complied with the code provisions set out in Appendix C1 (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 relevant 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, as part of the Code of Conduct staff awareness programme launched in 2020, the seventh module on "Integrity and Accuracy of Data and Records" was launched in June 2024. Animated 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 data and records integrity and accuracy in the workplace. Other education programmes, such as mandatory online training programmes and ethical webinars on relevant ordinances, 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 and outside Hong Kong.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules (the "Model Code"). After having made specific enquiries, the Company confirms that all Members of the Board (save for the disclosure made in relation to an INED below) and (where applicable) their Alternate Directors and all Members of the Executive Directorate have complied with the Model Code throughout the Period.

In February 2024, an INED (the "Concerned INED") notified the Company in writing that, due to an oversight, the Concerned INED had made a subscription for certain fixed rate notes issued by the Company (the "Concerned Notes") during the Company's "blackout period" and without having obtained the requisite written acknowledgement under the Model Code. Upon realising the aforesaid inadvertence, the Concerned INED promptly notified the Company and disposed of the Concerned Notes. The matter was reported to the Stock Exchange. To strengthen compliance with the Model Code, the Company has enhanced its processes in reminding Directors of the requirements relating to dealings in the Company's securities. The Concerned INED also attended a refresher training on the Model Code requirements.

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.

CHANGES DURING THE PERIOD FROM 1 JANUARY 2024 TO 15 AUGUST 2024

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

With effect from the conclusion of the Annual General Meeting held on 22 May 2024 (the "2024 AGM"):

1. Dr Dorothy Chan Yuen Tak-fai retired as an INED and ceased to be the chairman of the Remuneration Committee ("RC") and a member of the Capital Works Committee ("CWC") of the Company;
2. Ms Rose Lee Wai-mun retired as an INED and ceased to be a member of each of the Finance & Investment Committee ("F&IC") and the RC of the Company;
3. Ms Ayesha Abbas Macpherson (also known as Mrs Ayesha Macpherson Lau) 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 Audit & Risk Committee ("A&RC") and the F&IC of the Company;
4. The Permanent Secretary for Development (Works) (Mr Ricky Lau Chun-kit), a NED and formerly a member of each of the CWC and the NC of the Company, has been appointed by the Board as a member of the Technology Advisory Panel ("TAP") of the Company and has remained as a member of the CWC, but ceased to be a member of the NC of the Company;
5. The Commissioner for Transport ("C for T") (Ms Angela Lee Chung-yan), a NED and formerly a member of each of the A&RC and the TAP of the Company, has been appointed by the Board as a member of the Environmental & Social Responsibility Committee ("E&SRC") and has remained as a member of the A&RC, but ceased to be a member of the TAP of the Company;
6. Dr Bunny Chan Chung-bun, an INED and formerly a member of each of the E&SRC and the F&IC of the Company, has been appointed by the Board as a member of the RC of the Company and has remained as a member of the E&SRC, but ceased to be a member of the F&IC of the Company;
7. Mr Hui Siu-wai, an INED and formerly a member of each of the A&RC and the CWC of the Company, has been appointed by the Board as a member of the RC of the Company and has remained as a member of the CWC, but ceased to be a member of the A&RC of the Company;
8. Mr Sunny Lee Wai-kwong, an INED, the chairman of the TAP and formerly a member of the NC of the Company, has been appointed by the Board as a member of the CWC of the Company, but ceased to be a member of the NC of the Company;

9. Mr Jimmy Ng Wing-ka, an INED and formerly a member of each of the E&SRC and the NC of the Company, has been appointed by the Board as a member of the TAP of the Company and has remained as a member of the NC, but ceased to be a member of the E&SRC of the Company;
10. Dr Carlson Tong, an INED, the former chairman of the A&RC and a member of the F&IC of the Company, has stepped down as the chairman but remains a member of the A&RC and has remained a member of the F&IC of the Company;
11. Ms Sandy Wong Hang-yee, an INED and formerly a member of each of the E&SRC and the TAP of the Company, has been appointed by the Board as a member of the NC of the Company and has remained as a member of the E&SRC, but ceased to be a member of the TAP of the Company;
12. Mr Adrian Wong Koon-man, an INED and formerly a member of each of the A&RC and the RC of the Company, has been appointed by the Board as the chairman of the RC and has remained a member of the A&RC of the Company; and
13. Professor Anna Wong Wai-kwan, an INED and formerly a member of each of the A&RC and the NC of the Company, has been appointed by the Board as the chairman of the A&RC and a member of the F&IC of the Company, but ceased to be a member of the NC of the Company.

Changes of Alternate Directors

1. Ms Macella Lee Sui-chun ceased to be an Alternate Director to the office of the C for T (Ms Angela Lee Chung-yan), a NED of the Company, with effect from 18 July 2024 at the same time as her retirement from the post of the Deputy Commissioner for Transport/Transport Services and Management ("DC for T/TS and M");
2. Miss Cathy Chu Man-ling ceased to be an Alternate Director to Mr Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury), a NED of the Company, with effect from 23 July 2024;
3. Mr Andrew Lai Chi-wah (Permanent Secretary for Financial Services and the Treasury (Treasury)) was appointed by Mr Christopher Hui Ching-yu, a NED of the Company, as his Alternate Director with effect from 23 July 2024; and
4. Ms Kwok Wai-ying (also known as Ms Candy Kwok Wai-ying), who took up the post of the DC for T/TS and M on 18 July 2024, has, by virtue of holding such post, been appointed as the Alternate Director to the office of the C for T (Ms Angela Lee Chung-yan), a NED of the Company, with effect from 29 July 2024.

Changes in Composition of the Executive Directorate

1. Mr Herbert Hui Leung-wah retired from the Company upon the completion of his service agreement with the Company immediately after 31 December 2023, and ceased to be the Finance Director and a Member of the Executive Directorate of the Company at the same time; and
2. Mr Michael George Fitzgerald, Finance Director – Designate, was appointed as the Finance Director and has become a Member of the Executive Directorate of the Company, both with effect from 1 January 2024.

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	The Community Chest of Hong Kong • Member of the Board of Directors	Cessation (17 June 2024)
Sunny Lee Wai-kwong	Public Libraries Advisory Committee (Hong Kong) • Chairman	Cessation (1 May 2024)
	City University of Hong Kong • Vice-president (Administration)	Cessation (1 July 2024)
Jimmy Ng Wing-ka	The Hong Kong Polytechnic University • Council Member	Cessation (31 March 2024)
	Hong Kong Science and Technology Parks Corporation • Director	Cessation (1 July 2024)

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

Name	Change(s)	Nature and Effective Date of Change(s)
Dr Carlson Tong	Hong Kong Exchanges and Clearing Limited • Chairman	Appointment (3 May 2024)
	Standard Chartered PLC • Independent Non-executive Director	Cessation (9 May 2024)
	World Federation of Exchanges • Director	Appointment (4 June 2024)
	The Community Chest of Hong Kong • Board Member	Appointment (17 June 2024)
	Cathay Pacific Airways Limited • Observer (on behalf of the Government of the Hong Kong Special Administration Region)	Cessation (31 July 2024)
	Standard Chartered Bank (Hong Kong) Limited • Independent Non-executive Director	Appointment (15 August 2024)
Sandy Wong Hang-yee	Town Planning Board (Hong Kong) • Vice-chairperson of the Metro Planning Committee	Appointment (1 April 2024)
	Competition Commission (Hong Kong) • Member • Chairlady of the Enforcement Committee	Cessation (1 May 2024) Cessation (1 May 2024)
Adrian Wong Koon-man	Independent Commission Against Corruption (Hong Kong) • Chairman of the Corruption Prevention Advisory Committee • Member of the Advisory Committee on Corruption	Cessation (1 January 2024) Cessation (1 January 2024)
	Public Service Commission (Hong Kong) • Member	Appointment (1 February 2024)
	Airport Authority Hong Kong • Board Member	Cessation (1 June 2024)
	Aviation Security Company Limited • Board Member	Cessation (1 June 2024)
Professor Anna Wong Wai-kwan	The Hong Kong Polytechnic University • Member of the Investment Committee	Cessation (30 May 2024)
	The Hong Kong and China Gas Company Limited • Independent Non-executive Director	Appointment (25 June 2024)
Jeny Yeung Mei-chun	The Hong Kong Housing Authority • Non-official Member	Appointment (1 April 2024)
Linda Choy Siu-min	Public Libraries Advisory Committee (Hong Kong) • Vice-chairperson	Appointment (1 May 2024)
Gillian Elizabeth Meller	The Chartered Governance Institute • Vice President of the Council	Appointment (1 July 2024)
Sammy Wong Kwan-wai	Hong Kong Trade Development Council • Member of the Mainland Business Advisory Committee	Appointment (1 April 2024)

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

(ii) Changes in Directors' Remuneration

In light of the changes referred to in the section headed "Changes in Composition of the Board and Board Committees/ Advisory Panel" on pages 36 to 37 of this report, the annual fees payable by the Company to the following Directors have been adjusted as shown below and the actual amounts receivable by each of them for the year ending 31 December 2024 will be calculated on a pro rata basis:

	Directors' fees		
Name	Before Change (HK$ per annum)	After Change (HK$ per annum)	Effective Date of Change
Dr Bunny Chan Chung-bun	520,000	490,000	22 May 2024
Hui Siu-wai	550,000	520,000	22 May 2024
Sunny Lee Wai-kwong	540,000	570,000	22 May 2024
Dr Carlson Tong	610,000	550,000	22 May 2024
Adrian Wong Koon-man	520,000	570,000	22 May 2024
Professor Anna Wong Wai-kwan	520,000	610,000	22 May 2024

INDUCTION PROGRAMME, TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Induction Programme

Before appointment, all new Members of the Board (including Government-nominated Directors), Alternate Directors and Members of the Executive Directorate are 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.

Pursuant to a new requirement of the Listing Rules which came into force on 31 December 2023, the Company has to ensure that a Director, before appointment, is provided with pre-appointment legal advice (the "Legal Advice") from a firm of solicitors qualified to advise on Hong Kong law regarding the requirements under the Listing Rules that are applicable to him/her as a Member of the Board, an Alternate Director or a Member of the Executive Directorate of the Company and the possible legal consequences of making a false declaration or giving false information to the Stock Exchange. The following new Directors appointed during the period from 1 January 2024 to 15 August 2024 have received the Legal Advice on the respective dates set out below, have acknowledged and confirmed in writing their understanding of their obligations as a Director of the Company and the foregoing generally.

Name	Position	Date of Receipt of the Legal Advice	Date of Appointment
Ayesha Macpherson Lau	Member of the Board	17 April 2024	22 May 2024
Andrew Lai Chi-wah	Alternate Director	11 July 2024	23 July 2024
Candy Kwok Wai-ying	Alternate Director	26 July 2024	29 July 2024
Michael George Fitzgerald	Member of the Executive Directorate	21 November 2023	1 January 2024

In addition to the above, a familiarisation programme to understand the key areas of the Company's business and operations is also provided. The new Directors appointed during the abovesaid period have already received the induction programme and some of them have also received the familiarisation programme.

Training and Continuous Professional Development

Board Visits

In January and February 2024, certain Members of the Board visited the newly revamped MTR Gallery at Kowloon Station.

In June 2024, certain Members of the Board and the Executive Directorate visited the Lantau Portfolio Office and certain work sites to gain more insight into the project works that are being undertaken by the Capital Works Business Unit. In addition, some Members of the Board and the Executive Directorate visited THE SOUTHSIDE to gain a first-hand understanding of this new mall of the Company.

Training

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, a briefing on the Stock Exchange's Consultation Paper relating to the Review of Corporate Governance Code and Related Listing Rules and the new proposed cybersecurity law relating to the Protection of Critical Infrastructure (Computer System) Bill 2024 was provided to Members of the Board in July 2024.

Materials on the subject of corporate governance and e-learning provided by the Stock Exchange 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 three Regular Meetings during the Period.

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 a report on the strategy implementation for the second half of 2023;
- Environmental, Social and Governance:
  - Annual review of the size, structure and composition of the Board and the Company's corporate governance functions for 2023; annual assessment of (i) the independence of the INEDs, and (ii) the effectiveness of the Company's risk management and internal control systems for 2023;
  - Recommendation of the appointment of a new Member of the Board and the re-election of certain retiring Members of the Board for approval by shareholders at the 2024 AGM;
  - Approval of (i) changes in the composition of Board Committees/Advisory Panel; (ii) update to the terms of reference of the NC of the Company; and (iii) annual update of the Directors' Manual;
  - Approval of Sustainability Report 2023; 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 quarterly updates on Hong Kong Transport Services;
  - Approval of the principles for adjusting the controlled fares for 2024 under the Company's Fare Adjustment Mechanism; and
  - Approval of award of a major contract;
- Property:
  - Review of the interim business proposal for a prospective project;
- Mainland China and International Businesses:
  - Receipt of 2023 annual update on the Mainland China and Macao businesses; and
  - Receipt of updates on the Company's international businesses;
- Financial:
  - Review and approval of 2023 Annual Report and financial statements;
  - Receipt of the annual shareholder analysis and investor feedback; and
  - Receipt of an update on the implementation of a major enterprise resource planning system;
- Human Resources:
  - Review of performance targets under the Company's staff incentive scheme;
  - Approval for renewal of the Group Medical Insurance Schemes; and
  - Review of employee engagement survey results and proposed actions.

COMMUNICATION WITH SHAREHOLDERS

The Company's 2024 AGM was held on 22 May 2024. The Chairman continued his practice of proposing separate resolutions for each substantially separate matter.

A total of nine resolutions were passed at the 2024 AGM (with resolution no. 3 comprising three separate resolutions), all of which were supported by over 90% 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 2024 AGM Circular (which comprised the Notice of the 2024 AGM) dated 12 April 2024.

All resolutions at the 2024 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 Stock Exchange on the same day after the 2024 AGM.

The 2024 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 2024 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 2024 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 Stock Exchange. During the Period, there was no change to the Company's Articles of Association.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2024, 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 Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in Shares and Underlying Shares

Members of the Board/ Alternate Director/ Members of the Executive Directorate	No. of ordinary shares held		No. of award shares#		
	Personal interests*	Family interests†	Personal interests*	Total interests	Percentage of aggregate interests to total no. of voting shares in issueΔ
Dr Jacob Kam Chak-pui	1,089,277	–	692,185	1,781,462	0.02865
Cheng Yan-kee	–	2,000 (Note 1)	–	2,000	0.00003
Adrian Wong Koon-man	–	558 (Note 1)	–	558	0.00001
Maurice Loo Kam-wah	588	–	–	588	0.00001
Jeny Yeung Mei-chun	886,634	–	167,318	1,053,952	0.01695
Margaret Cheng Wai-Ching	333,453	–	160,902	494,355	0.00795
Linda Choy Siu-min	105,188	–	140,184	245,372	0.00395
Carl Michael Devlin	20,185	–	132,385	152,570	0.00245
Michael George Fitzgerald	10,500	1,500 (Note 1)	184,600	196,600	0.00316
Dr Tony Lee Kar-yun	238,774	–	145,400	384,174	0.00618
Gillian Elizabeth Meller	311,645	–	144,068	455,713	0.00733
David Tang Chi-fai	418,866	–	167,318	586,184	0.00943
Sammy Wong Kwan-wai	61,652	–	128,968	190,620	0.00307

(ii) Interests in Debentures

Member of the Board	Amount of debentures held: Personal interests*	Amount of debentures held: Family interests†	Total interests	Amount of debentures of same class in issue
Ayesha Macpherson Lau	CNY 26,000,000 (Note 2)	–	CNY 26,000,000	CNY400,000,000

Notes:

1. *As at 30 June 2024, these shares were held by the spouse of the relevant Member of the Board or Member of the Executive Directorate of the Company.*
2. *These represent the interests held by Mrs Ayesha Macpherson Lau in the 3.10% Fixed Rate Notes (non-listed) due 1 March 2025 issued by the Company.*

\# *Details of the award shares are set out in the section headed "Executive Share Incentive Scheme" on pages 43 to 45*

* *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 2024 was 6,217,197,282*

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

A as at 30 June 2024, 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 2024, 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 Stock Exchange 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 2024 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 issueΔ
The Financial Secretary Incorporated ("FSI") (in trust on behalf of Government)	4,634,173,932	74.54%

Δ *The Company's total number of voting shares in issue as at 30 June 2024 was 6,217,197,282*

The Company has been informed by the Hong Kong Monetary Authority that, as at 30 June 2024, 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, Underlying Shares and Debentures of the Company" and "Substantial Shareholders' Interests", as at 30 June 2024, the Company has not been notified of any other persons who had any interests or short positions in the shares, underlying shares or debentures 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 142 to 143), "Executive Share Incentive Scheme" (pages 167 to 169) and notes 2U(iii) (page 218), 11B (page 232) and 44 (pages 274 to 275) to the Consolidated Financial Statements, of the Company's 2023 Annual Report (www.mtr.com.hk).

Movements in award shares under the Executive Share Incentive Scheme during the six months ended 30 June 2024 are set out below:

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1)		Award shares outstanding as at 1 January 2024	Award shares vested during the period	Award shares lapsed and/or forfeited during the period	Award shares outstanding as at 30 June 2024	Weighted average closing price of shares immediately before the date(s) on which the award shares were vested (HK$)
		Restricted shares (Note 2)	Performance shares (Note 3)					
Dr Jacob Kam Chak-pui	8/4/2021	52,750	199,800	217,384	217,384	–	–	25.43
	1/4/2022	132,000	–	132,000	–	–	132,000	–
	8/4/2022	133,700	–	89,134	44,566	–	44,568	25.80
	11/4/2023	54,700	–	54,700	18,233	–	36,467	26.00
	18/3/2024 (Notes 6 & 8)	–	68,990	–	68,990	–	–	25.40
	8/4/2024 (Notes 6 & 9)	87,100	392,050	–	–	–	479,150	–
Jeny Yeung Mei-chun	8/4/2021	17,200	47,850	53,584	53,584	–	–	25.44
	8/4/2022	46,000	–	30,667	15,333	–	15,334	25.80
	11/4/2023	25,100	–	25,100	8,366	–	16,734	26.00
	18/3/2024 (Notes 6 & 8)	–	16,522	–	16,522	–	–	25.40
	8/4/2024 (Notes 6 & 9)	41,700	93,550	–	–	–	135,250	–
Margaret Cheng Wai-ching	8/4/2021	17,450	47,850	53,668	53,668	–	–	25.44
	8/4/2022	39,500	–	26,334	13,166	–	13,168	25.80
	11/4/2023	23,300	–	23,300	7,766	–	15,534	26.00
	18/3/2024 (Notes 6 & 8)	–	16,522	–	16,522	–	–	25.40
	8/4/2024 (Notes 6 & 9)	38,650	93,550	–	–	–	132,200	–
Linda Choy Siu-min	8/4/2021	13,500	47,850	52,350	52,530	–	–	25.43
	8/4/2022	32,200	–	21,467	10,733	–	10,734	25.80
	11/4/2023	17,550	–	17,550	5,850	–	11,700	26.00
	18/3/2024 (Notes 6 & 8)	–	16,522	–	16,522	–	–	25.40
	8/4/2024 (Notes 6 & 9)	24,200	93,550	–	–	–	117,750	–

EXECUTIVE SHARE INCENTIVE SCHEME *(continued)*

Members of the Executive Directorate and eligible employees	Date of award	Types of award shares granted (Note 1)		Award shares outstanding as at 1 January 2024	Award shares vested during the period	Award shares lapsed and/or forfeited during the period	Award shares outstanding as at 30 June 2024	Weighted average closing price of shares immediately before the date(s) on which the award shares were vested (HK$)
		Restricted shares (Note 2)	Performance shares (Note 3)					
Carl Michael Devlin	8/4/2022	7,700	7,300	12,434	9,866	–	2,568	25.50
	11/4/2023	15,700	–	15,700	5,233	–	10,467	26.00
	18/3/2024 (Notes 6 & 8)	–	2,520	–	2,520	–	–	25.40
	8/4/2024 (Notes 6 & 9)	25,800	93,550	–	–	–	119,350	–
Michael George Fitzgerald (Note 4)	25/9/2023	60,900	–	60,900	–	–	60,900	–
	8/4/2024 (Notes 6 & 9)	30,150	93,550	–	–	–	123,700	–
Dr Tony Lee Kar-yun	8/4/2021	13,550	47,850	52,368	52,368	–	–	25.43
	8/4/2022	34,050	–	22,700	11,350	–	11,350	25.80
	11/4/2023	14,850	–	14,850	4,950	–	9,900	26.00
	18/3/2024 (Notes 6 & 8)	–	16,522	–	16,522	–	–	25.40
	8/4/2024 (Notes 6 & 9)	30,600	93,550	–	–	–	124,150	–
Gillian Elizabeth Meller	8/4/2021	14,250	47,850	52,600	52,600	–	–	25.44
	8/4/2022	34,600	–	23,067	11,533	–	11,534	25.80
	11/4/2023	19,550	–	19,550	6,516	–	13,034	26.00
	18/3/2024 (Notes 6 & 8)	–	16,522	–	16,522	–	–	25.40
	8/4/2024 (Notes 6 & 9)	25,950	93,550	–	–	–	119,500	–
David Tang Chi-fai	8/4/2021	17,200	47,850	53,584	53,584	–	–	25.44
	8/4/2022	46,000	–	30,667	15,333	–	15,334	25.80
	11/4/2023	25,100	–	25,100	8,366	–	16,734	26.00
	18/3/2024 (Notes 6 & 8)	–	16,522	–	16,522	–	–	25.40
	8/4/2024 (Notes 6 & 9)	41,700	93,550	–	–	–	135,250	–
Sammy Wong Kwan-wai	8/4/2021	7,350	10,100	12,550	12,550	–	–	25.48
	8/4/2022	8,050	–	5,367	2,683	–	2,684	25.80
	11/4/2023	16,400	–	16,400	5,466	–	10,934	26.00
	18/3/2024 (Notes 6 & 8)	–	3,487	–	3,487	–	–	25.40
	8/4/2024 (Notes 6 & 9)	21,800	93,550	–	–	–	115,350	–

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 2024	Award shares vested during the period	Award shares lapsed and/or forfeited during the period	Award shares outstanding as at 30 June 2024	Weighted average closing price of shares immediately before the date(s) on which the award shares were vested (HK$)
Other eligible employees (Note 5)	8/4/2021	1,802,700	1,061,050	1,375,758	1,324,290	51,468	–	25.53
	8/4/2022	2,125,450	233,400	1,358,031	785,794	11,987	560,250	25.71
	11/4/2023	2,349,300	42,850	2,277,600	818,781	44,271	1,414,548	25.96
	18/3/2024 (Notes 6 & 8)	–	318,694	–	318,694	–	–	25.40
	8/4/2024 (Notes 6 & 9)	3,731,850	1,987,000	–	17,850	–	5,701,000	26.21

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 selective 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 Michael George Fitzgerald was appointed as the Finance Director and became a Member of the Executive Directorate of the Company, both with effect from 1 January 2024.*

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 18 March 2024 and 8 April 2024 was HK$25.40 and HK$25.25 respectively.*

7 *No award shares were cancelled during the six months ended 30 June 2024.*

8 *Following a review of the results of the 2021 – 2023 performance cycle by the RC, additional Performance Shares were awarded to eligible employees under the Executive Share Incentive Scheme on 18 March 2024.*

9 *Performance shares for the next three years performance cycle were awarded to eligible employees with a new set of performance criteria approved by the RC and the Board.*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company redeemed its RMB1 billion and RMB250 million bonds at par on 24 March 2024 and 25 March 2024 respectively. The bonds were listed on the Stock Exchange prior to their redemption. Save as disclosed above, the Group did not purchase, sell or redeem any of the Group's listed securities during the six months ended 30 June 2024. 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 Stock Exchange a total of 7,224,157 Ordinary Shares for a total consideration of approximately HK$201 million during the same period.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Company's shareholders' entitlement to the 2024 interim dividend, the Register of Members of the Company was closed from 30 August 2024 to 4 September 2024 (both dates inclusive), during which time no transfers of shares in the Company were effected. To qualify for the 2024 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 29 August 2024 (Hong Kong time). The 2024 interim dividend is expected to be paid on 17 September 2024 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 4 September 2024.

UNAUDITED INTERIM FINANCIAL REPORT
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in HK$ million	Note	**Six months ended 30 June 2024 (Unaudited)**	Six months ended 30 June 2023 (Unaudited)
Revenue from Hong Kong transport operations		**11,138**	9,342
Revenue from Hong Kong station commercial businesses		**2,638**	2,415
Revenue from Hong Kong property rental and management businesses		**2,688**	2,456
Revenue from Mainland China and international railway, property rental and management subsidiaries	2	**12,429**	13,079
Revenue from other businesses		**378**	282
		29,271	27,574
Revenue from Mainland China property development	2	**–**	–
Total revenue		**29,271**	27,574
Expenses relating to Hong Kong transport operations			
– Staff costs and related expenses		**(3,592)**	(3,363)
– Maintenance and related works		**(1,206)**	(1,154)
– Energy and utilities		**(1,093)**	(1,175)
– General and administration expenses		**(391)**	(349)
– Stores and spares consumed		**(288)**	(263)
– Railway support services		**(229)**	(154)
– Government rent and rates		**(91)**	(77)
– Other expenses		**(189)**	(127)
		(7,079)	(6,662)
Expenses relating to Hong Kong station commercial businesses		**(310)**	(255)
Expenses relating to Hong Kong property rental and management businesses		**(525)**	(458)
Expenses relating to Mainland China and international railway, property rental and management subsidiaries	2	**(11,720)**	(12,547)
Expenses relating to other businesses		**(326)**	(240)
Project study and business development expenses		**(197)**	(156)
		(20,157)	(20,318)
Expenses relating to Mainland China property development	2	**(2)**	(9)
Operating expenses before depreciation, amortisation and variable annual payment		**(20,159)**	(20,327)
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment			
– Arising from recurrent businesses		**9,114**	7,256
– Arising from Mainland China property development		**(2)**	(9)
		9,112	7,247
Hong Kong property development profit from share of surplus, income and interest in unsold properties	4	**2,024**	783
Gain from fair value measurement of investment properties	5	**280**	1,005
Operating profit before depreciation, amortisation and variable annual payment		**11,416**	9,035
Depreciation and amortisation		**(2,906)**	(3,046)
Variable annual payment		**(1,434)**	(1,052)
Share of profit of associates and joint ventures	6	**673**	632
Profit before interest, finance charges and taxation		**7,749**	5,569
Interest and finance charges	7	**(494)**	(589)
Profit before taxation		**7,255**	4,980
Income tax	8	**(1,111)**	(627)
Profit for the period		**6,144**	4,353
Attributable to:			
– Shareholders of the Company		**6,044**	4,178
– Non-controlling interests		**100**	175
Profit for the period		**6,144**	4,353
Profit for the period attributable to shareholders of the Company:	3		
– Arising from recurrent businesses			
– in Hong Kong		**3,482**	2,227
– outside Hong Kong		**542**	193
		4,024	2,420
– Arising from property development			
– in Hong Kong		**1,722**	712
– outside Hong Kong		**18**	20
		1,740	732
– Arising from underlying businesses		**5,764**	3,152
– Arising from fair value measurement of investment properties		**280**	1,026
		6,044	4,178
Earnings per share:	10		
– Basic		**HK$0.97**	HK$0.67
– Diluted		**HK$0.97**	HK$0.67

The notes on pages 51 to 75 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 2024 (Unaudited)**	Six months ended 30 June 2023 (Unaudited)
Profit for the period		**6,144**	4,353
Other comprehensive (loss)/income for the period (after taxation and reclassification adjustments):	11		
Item that will not be reclassified to profit or loss:			
– (Loss)/surplus on revaluation of self-occupied buildings		**(59)**	18
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		**(478)**	(738)
– non-controlling interests		**(7)**	(4)
– Cash flow hedges: net movement in hedging reserve		**155**	(43)
		(330)	(785)
		(389)	(767)
Total comprehensive income for the period		**5,755**	3,586
Attributable to:			
– Shareholders of the Company		**5,662**	3,415
– Non-controlling interests		**93**	171
Total comprehensive income for the period		**5,755**	3,586

The notes on pages 51 to 75 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in HK$ million	Note	**At 30 June 2024 (Unaudited)**	At 31 December 2023 (Audited)
Assets			
Fixed assets			
– Investment properties	12A	**97,584**	98,205
– Other property, plant and equipment	12B	**104,709**	103,721
– Service concession assets	13	**37,054**	36,710
		239,347	238,636
Property management rights		**10**	10
Railway construction in progress	15	**7,178**	4,256
Property development in progress	16	**41,923**	41,728
Deferred expenditure	17	**496**	378
Interests in associates and joint ventures	18	**13,029**	12,785
Deferred tax assets	25	**657**	603
Investments in securities		**906**	862
Properties held for sale	19	**2,736**	1,939
Derivative financial assets	20	**223**	240
Stores and spares		**2,667**	2,557
Debtors and other receivables	21	**13,963**	13,756
Amounts due from related parties	22	**6,616**	5,802
Cash, bank balances and deposits		**31,266**	22,375
Assets of disposal group classified as held for sale	30	**–**	499
		361,017	346,426
Liabilities			
Short-term loans		**1,005**	1,379
Creditors, other payables and provisions	23	**76,384**	76,682
Current taxation		**1,981**	1,623
Amounts due to related parties	22	**6,124**	2,614
Loans and other obligations	24	**69,413**	58,112
Obligations under service concession		**10,009**	10,059
Derivative financial liabilities	20	**1,755**	1,710
Loans from holders of non-controlling interests		**124**	141
Deferred tax liabilities	25	**15,269**	15,151
Liabilities of disposal group classified as held for sale	30	**–**	99
		182,064	167,570
Net assets		**178,953**	178,856
Capital and reserves	26		
Share capital		**61,084**	61,083
Shares held for Executive Share Incentive Scheme		**(302)**	(269)
Other reserves		**117,568**	117,530
Total equity attributable to shareholders of the Company		**178,350**	178,344
Non-controlling interests		**603**	512
Total equity		**178,953**	178,856

The notes on pages 51 to 75 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Other reserves							
in HK$ million	Note	Share capital	Shares held for Executive Share Incentive Scheme	Fixed assets revaluation reserve	Hedging reserve	Employee share-based capital reserve	Exchange reserve	Retained profits	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
30 June 2024 (Unaudited)											
Balance as at 1 January 2024 (Audited)		**61,083**	**(269)**	**3,848**	**(522)**	**178**	**(1,662)**	**115,688**	**178,344**	**512**	**178,856**
Changes in equity for the six months ended 30 June 2024:											
– Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**6,044**	**6,044**	**100**	**6,144**
– Other comprehensive (loss)/ income for the period		**–**	**–**	**(59)**	**155**	**–**	**(478)**	**–**	**(382)**	**(7)**	**(389)**
– Total comprehensive (loss)/ income for the period		**–**	**–**	**(59)**	**155**	**–**	**(478)**	**6,044**	**5,662**	**93**	**5,755**
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		**–**	**–**	**–**	**11**	**–**	**–**	**–**	**11**	**–**	**11**
– 2023 final ordinary dividend	9	**–**	**–**	**–**	**–**	**–**	**–**	**(5,533)**	**(5,533)**	**–**	**(5,533)**
– Shares purchased for Executive Share Incentive Scheme	26B	**–**	**(207)**	**–**	**–**	**–**	**–**	**–**	**(207)**	**–**	**(207)**
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	26B	**1**	**174**	**–**	**–**	**(170)**	**–**	**(5)**	**–**	**–**	**–**
– Employee share-based payments		**–**	**–**	**–**	**–**	**73**	**–**	**–**	**73**	**–**	**73**
– Equity contributions from holders of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**5**
– Dividends to holders of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7)**	**(7)**
Balance as at 30 June 2024 (Unaudited)		**61,084**	**(302)**	**3,789**	**(356)**	**81**	**(2,140)**	**116,194**	**178,350**	**603**	**178,953**
31 December 2023 (Audited)											
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
– Dividends 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
Changes in equity for the six months ended 31 December 2023:											
– Profit for the period		–	–	–	–	–	–	3,606	3,606	129	3,735
– Other comprehensive income/ (loss) for the period		–	–	6	(565)	–	360	(194)	(393)	30	(363)
– Total comprehensive income/ (loss) for the period		–	–	6	(565)	–	360	3,412	3,213	159	3,372
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	(1)	–	–	–	(1)	–	(1)
– Shares issued in respect of scrip dividend of 2022 final ordinary dividend		438	(2)	–	–	–	–	2	438	–	438
– 2023 interim ordinary dividend	9	–	–	–	–	–	–	(2,610)	(2,610)	–	(2,610)
– Shares issued in respect of scrip dividend of 2023 interim ordinary dividend		97	–	–	–	–	–	–	97	–	97
– Shares purchased for Executive Share Incentive Scheme		–	(2)	–	–	–	–	–	(2)	–	(2)
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme		–	3	–	–	(3)	–	–	–	–	–
– Employee share-based payments		–	–	–	–	60	–	–	60	–	60
– Equity contributions from holders of non-controlling interests		–	–	–	–	–	–	–	–	125	125
– Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	–	(284)	(284)
Balance as at 31 December 2023 (Audited)		61,083	(269)	3,848	(522)	178	(1,662)	115,688	178,344	512	178,856

The notes on pages 51 to 75 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS

in HK$ million	Note	**Six months ended 30 June 2024 (Unaudited)**		Six months ended 30 June 2023 (Unaudited)	
Cash flows from operating activities					
Cash generated from operations	28	**8,979**		6,094	
Purchase of tax reserve certificates		**(60)**		(57)	
Current tax paid					
– Hong Kong Profits Tax paid		**(442)**		(1,949)	
– Tax paid outside Hong Kong		**(298)**		(218)	
Net cash generated from operating activities			**8,179**		3,870
Cash flows from investing activities					
Capital expenditure					
– Purchase of assets for Hong Kong transport and related operations		**(4,456)**		(3,744)	
– Hong Kong railway extension projects		**(2,451)**		(770)	
– Investment property projects and fitting out work		**(289)**		(512)	
– Shenzhen Metro Line 13 Phase 1 project		**(292)**		(109)	
– Other capital projects		**(83)**		(65)	
		(7,571)		(5,200)	
Variable annual payment		**(2,355)**		(323)	
Receipts in respect of property development		**388**		5,043	
Payments in respect of property development		**(409)**		(510)	
Decrease/(increase) in bank deposits with more than three months to maturity when placed or pledged, and structured bank deposits		**199**		(346)	
Investments in associates and joint ventures		**(111)**		(21)	
Dividends and distribution received from associates		**246**		204	
Others		**188**		22	
Net cash used in investing activities			**(9,425)**		(1,131)
Cash flows from financing activities					
Purchase of shares for Executive Share Incentive Scheme		**(207)**		(91)	
Proceeds from loans and capital market instruments		**25,430**		46,041	
Repayment of loans, capital market instruments and others		**(14,065)**		(40,124)	
Interest and finance charges paid		**(1,144)**		(826)	
Interest received		**579**		263	
Capital element of lease rentals paid		**(120)**		(131)	
Equity contributions from holders of non-controlling interests		**5**		–	
Repayment of loan from holders of non-controlling interests		**(12)**		–	
Dividends paid to holders of non-controlling interests		**(7)**		(285)	
Net cash generated from financing activities			**10,459**		4,847
Net increase in cash and cash equivalents			**9,213**		7,586
Cash and cash equivalents at 1 January			**15,575**		10,241
Cash and cash equivalents reclassified as disposal group held for sale at 1 January	30		**94**		–
Effect of exchange rate changes			**(217)**		(110)
Cash and cash equivalents at 30 June			**24,665**		17,717
Analysis of the balances of cash and cash equivalents					
Cash, bank balances and deposits on the consolidated statement of financial position			**31,266**		23,956
Bank deposits with more than three months to maturity when placed or pledged			**(6,601)**		(5,156)
Structured bank deposits			**–**		(1,083)
Cash and cash equivalents in the consolidated statement of cash flows			**24,665**		17,717

The notes on pages 51 to 75 form part of this 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 76. 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 2023 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 2023 annual financial statements.

The financial information relating to the financial year ended 31 December 2023 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 2023 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 number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The accounting policies adopted for the preparation of this interim financial report are the same as those adopted in the preparation of the 2023 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 2024		Six months ended 30 June 2023	
in HK$ million	Revenue	Expenses	Revenue	Expenses
Melbourne Train	**6,585**	**6,211**	7,232	6,684
Sydney Metro North West Line	**671**	**632**	410	372
Sydney Metro City & Southwest Line	**556**	**520**	772	751
MTR Nordic	**2,139**	**2,014**	2,394	2,691
London Elizabeth Line	**1,495**	**1,374**	1,408	1,338
Shenzhen Metro Line 4 ("SZL4")	**366**	**300**	381	291
Shenzhen Metro Line 13 Phase 1 project (note 13A)	**292**	**292**	109	109
Others	**325**	**377**	373	311
	12,429	**11,720**	13,079	12,547
Property development in Mainland China	**–**	**2**	–	9
Total Mainland China and international subsidiaries	**12,429**	**11,722**	13,079	12,556

The Group disposed its operations of Beijing Ginza Mall in Mainland China and MTRX in Sweden in May 2024, as well as early terminated the concessions for Stockholms pendeltåg and Mälartåg in Sweden in March 2024 and June 2024 respectively. In this regard, included in "Expenses relating to Mainland China and international subsidiaries" during the six months ended 30 June 2024 was a net aggregated loss of HK$100 million principally arising from the disposal of the Group's operation in Beijing Ginza Mall.

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 property 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 property 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 Government of the Hong Kong Special Administrative Region (the "HKSAR Government" or "Government").

3 Segmental Information *(continued)*

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

in HK$ million	Hong Kong transport services: Hong Kong transport operations	Hong Kong transport services: Hong Kong station commercial businesses	Hong Kong property rental and management businesses	Hong Kong property development	Mainland China and international affiliates: Mainland China and international railway, property rental and management businesses	Mainland China and international affiliates: Mainland China property development	Other businesses	Un-allocated amount	Total
Six months ended 30 June 2024									
Revenue from contracts with customers within the scope of HKFRS 15	11,138	858	187	–	12,389	–	370	–	24,942
– Recognised at a point in time	10,436	16	–	–	2,483	–	241	–	13,176
– Recognised over time	702	842	187	–	9,906	–	129	–	11,766
Revenue from other sources	–	1,780	2,501	–	40	–	8	–	4,329
Total revenue	11,138	2,638	2,688	–	12,429	–	378	–	29,271
Operating expenses	(7,079)	(310)	(525)	–	(11,720)	(2)	(326)	–	(19,962)
Project study and business development expenses	–	–	–	–	(142)	–	–	(55)	(197)
Operating profit/(loss) before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment	4,059	2,328	2,163	–	567	(2)	52	(55)	9,112
Hong Kong property development profit from share of surplus, income and interest in unsold properties	–	–	–	2,024	–	–	–	–	2,024
Gain/(loss) from fair value measurement of investment properties	–	–	331	–	(51)	–	–	–	280
Operating profit/(loss) before depreciation, amortisation and variable annual payment	4,059	2,328	2,494	2,024	516	(2)	52	(55)	11,416
Depreciation and amortisation	(2,520)	(124)	(6)	–	(223)	–	(33)	–	(2,906)
Variable annual payment	(1,124)	(307)	(3)	–	–	–	–	–	(1,434)
Share of profit of associates and joint ventures	–	–	–	–	448	–	225	–	673
Profit/(loss) before interest, finance charges and taxation	415	1,897	2,485	2,024	741	(2)	244	(55)	7,749
Interest and finance charges	–	–	–	–	31	23	–	(548)	(494)
Income tax	–	–	–	(302)	(181)	(3)	–	(625)	(1,111)
Profit/(loss) for the six months ended 30 June 2024	415	1,897	2,485	1,722	591	18	244	(1,228)	6,144

3 Segmental Information *(continued)*

	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, income 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

For the six months ended 30 June 2024, profit attributable to shareholders of the Company arising from recurrent businesses in Hong Kong of HK$3,482 million (2023: HK$2,227 million) represents (i) the profit for the period of HK$4,710 million (2023: HK$3,294 million) arising from recurrent businesses in Hong Kong (after excluding gain from fair value measurement of investment properties of HK$331 million (2023: HK$1,089 million)) and (ii) un-allocated expenses of HK$1,228 million (2023: HK$1,067 million) in Hong Kong.

For the six months ended 30 June 2024, profit attributable to shareholders of the Company arising from recurrent businesses outside Hong Kong of HK$542 million (2023: HK$193 million) represents (i) the profit for the period of HK$642 million (2023: HK$368 million) arising from recurrent business outside Hong Kong (after excluding loss from fair value measurement of investment properties of HK$51 million (2023: HK$84 million) and related income tax credit of HK$nil (2023: HK$21 million)), and (ii) net of profit attributable to non-controlling interests of HK$100 million (2023: HK$175 million).

For the six months ended 30 June 2024, profit attributable to shareholders of the Company arising from fair value measurement of investment properties of HK$280 million (2023: HK$1,026 million) represents loss from fair value remeasurement on investment properties of HK$810 million (2023: HK$nil), gain from fair value measurement of investment properties on initial recognition from property development of HK$1,090 million (2023: HK$1,005 million) and related income tax credit of HK$nil (2023: HK$21 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 2024**	Six months ended 30 June 2023
Hong Kong SAR (place of domicile)	**16,837**	14,474
Australia	**7,812**	8,414
Mainland China and Macao SAR	**937**	878
Sweden	**2,139**	2,394
United Kingdom	**1,546**	1,414
	12,434	13,100
	29,271	27,574

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

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

in HK$ million	**Six months ended 30 June 2024**	Six months ended 30 June 2023
Share of surplus, income and interest in unsold properties from property development	**1,995**	786
Agency fee and other income from West Rail property development	**33**	4
Overheads	**(4)**	(7)
Hong Kong property development profit (pre-tax)	**2,024**	783
Hong Kong property development profit (post-tax)	**1,722**	712

For the six months ended 30 June 2024, profit attributable to shareholders of the Company arising from Hong Kong property development of HK$1,722 million (2023: HK$712 million) represents Hong Kong property development profit of HK$2,024 million (2023: HK$783 million) and related income tax expenses of HK$302 million (2023: HK$71 million).

5 Gain from Fair Value Measurement of Investment Properties

Gain from fair value measurement of investment properties comprises:

in HK$ million	**Six months ended 30 June 2024**	Six months ended 30 June 2023
Loss from fair value remeasurement on investment properties	**(810)**	–
Gain from fair value measurement of investment properties on initial recognition from property development	**1,090**	1,005
	280	1,005

During the year ended 31 December 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.

As at 31 December 2023, taking into account the outstanding risks and obligations of HK$3.6 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$1.4 billion was recognised as gain from fair value measurement of investment properties on initial recognition from property development in profit or loss for the year ended 31 December 2023. As at 31 December 2023, deferred income of HK$3.6 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.

During the six months ended 30 June 2024, after reassessing the outstanding risks and obligations retained by the Group at the end of reporting period, HK$1,090 million (2023: HK$1,005 million) was recognised as gain from fair value measurement of investment properties on initial recognition from property development in profit or loss.

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 2024**	Six months ended 30 June 2023
Share of profit before taxation	**893**	900
Share of income tax expenses	**(220)**	(268)
	673	632

7 Interest and Finance Charges

Interest and finance charges comprise:

in HK$ million	**Six months ended 30 June 2024**		Six months ended 30 June 2023	
Interest expenses in respect of:				
– Bank loans, overdrafts and capital market instruments	**1,230**		797	
– Obligations under service concession	**350**		341	
– Lease liabilities	**13**		21	
– Others	**13**		21	
Finance charges	**21**		22	
Exchange gain	**(166)**		(22)	
		1,461		1,180
Derivative financial instruments:				
– Fair value hedges	**29**		(2)	
– Cash flow hedges:				
– transferred from hedging reserve to interest expenses	**(63)**		(11)	
– transferred from hedging reserve to offset exchange gain	**174**		45	
– Derivatives not qualified for hedge accounting	**1**		16	
		141		48
Interest expenses capitalised		**(470)**		(283)
		1,132		945
Interest income in respect of:				
– Deposits with banks	**(571)**		(302)	
– Others	**(67)**		(54)	
		(638)		(356)
		494		589

8 Income Tax

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

in HK$ million	**Six months ended 30 June 2024**	Six months ended 30 June 2023
Current tax		
– Hong Kong Profits Tax	**851**	525
– Tax outside Hong Kong	**251**	138
	1,102	663
Deferred tax		
– Origination and reversal of temporary differences on:		
– tax losses	**2**	(57)
– depreciation allowances in excess of related depreciation	**111**	(13)
– revaluation of properties	**–**	(16)
– provisions and others	**(108)**	41
– right-of-use assets	**(10)**	2
– lease liabilities	**14**	7
	9	(36)
	1,111	627

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 2024 is calculated at 16.5% (2023: 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 2023.

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% (2023: 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 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 disclosed in previous years:

(i) 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 counsel and its 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.

(ii) 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 its tax advisor, and obtained further advice from another external legal counsel. Based on the advice from the external legal counsel and its 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.

(iii) After discussing with the external legal counsel and its 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.

8 Income Tax *(continued)*

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.

C Pillar Two Income Taxes

The Group operates in Australia, Sweden and the United Kingdom, where these jurisdictions have enacted or substantially enacted new tax laws to implement the Pillar Two model rules published by the OECD.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and has accounted for the tax as current tax when incurred, if any. During the six months ended 30 June 2024, the Group has recognised HK$nil for the current tax relating to the Pillar Two model rules for Australia, Sweden and the United Kingdom, where new tax laws will take effect from 1 January 2024.

9 Dividends

Ordinary dividends to shareholders of the Company are as follows:

in HK$ million	**Six months ended 30 June 2024**	Six months ended 30 June 2023
Ordinary dividends attributable to the period		
– Interim ordinary dividend declared after the end of the reporting period of HK$0.42 (2023: HK$0.42) per share	**2,614**	2,610
Ordinary dividends attributable to the previous year		
– Final ordinary dividend of HK$0.89 (2023: HK$0.89 per share attributable to year 2022) per share approved and payable during the reporting period	**5,533**	5,520

The 2024 interim ordinary dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

The Company has recognised 2023 final ordinary dividend payable of HK$4,124 million to The Financial Secretary Incorporated ("FSI") of the HKSAR Government and HK$1,409 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 2024.

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 2024 of HK$6,044 million (2023: HK$4,178 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 2024	Six months ended 30 June 2023
Issued ordinary shares at 1 January and 30 June	**6,217,197,282**	6,202,060,784
Less: Shares held for Executive Share Incentive Scheme	**(6,299,128)**	(5,808,651)
Weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the six months ended 30 June	**6,210,898,154**	6,196,252,133

10 Earnings Per Share *(continued)*

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 2024 of HK$6,044 million (2023: HK$4,178 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 2024	Six months ended 30 June 2023
Weighted average number of ordinary shares in issue less shares held for Executive Share Incentive Scheme during the six months ended 30 June	**6,210,898,154**	6,196,252,133
Effect of shares awarded under Executive Share Incentive Scheme	**7,827,319**	6,089,105
Weighted average number of ordinary shares (diluted) during the six months ended 30 June	**6,218,725,473**	6,202,341,238

C Both basic and diluted earnings per share would have been HK$0.93 (2023: HK$0.51) if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK$5,764 million (2023: HK$3,152 million).

11 Other Comprehensive (Loss)/Income

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

	Six months ended 30 June 2024			Six months ended 30 June 2023		
in HK$ million	**Before-tax amount**	**Tax credit/ (expenses)**	**Net-of-tax amount**	Before-tax amount	Tax (expenses)/ credit	Net-of-tax amount
Exchange differences on translation of:						
– Financial statements of subsidiaries, associates and joint ventures outside Hong Kong	**(478)**	**–**	**(478)**	(738)	–	(738)
– Non-controlling interests	**(7)**	**–**	**(7)**	(4)	–	(4)
	(485)	**–**	**(485)**	(742)	–	(742)
(Loss)/surplus on revaluation of self-occupied buildings (note 12B)	**(71)**	**12**	**(59)**	22	(4)	18
Cash flow hedges: net movement in hedging reserve (note 11B)	**188**	**(33)**	**155**	(51)	8	(43)
Other comprehensive (loss)/income	**(368)**	**(21)**	**(389)**	(771)	4	(767)

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

in HK$ million	**Six months ended 30 June 2024**	Six months ended 30 June 2023
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**68**	(97)
Amounts transferred to profit or loss during the period:		
– Interest and finance charges (note 7)	**111**	34
– Other expenses	**9**	12
Deferred tax	**(33)**	8
	155	(43)

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 2024 (Unaudited)**	Year ended 31 December 2023 (Audited)
At 1 January	**98,205**	91,671
Additions*	**289**	6,517
Disposal of subsidiaries (note 2)	**(93)**	–
Fair value remeasurement on investment properties (note 5)	**(810)**	26
Exchange loss	**(7)**	(9)
At 30 June/31 December	**97,584**	98,205

* Additions for the year ended 31 December 2023 included the fair value measurement of investment properties on initial recognition from property development of HK$5,211 million (note 5) and transferred from deferred expenditure of HK$92 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.

B Other Property, Plant and Equipment

(i) Acquisitions of Owned Assets

During the six months ended 30 June 2024, the Group acquired assets (other than right-of-use assets) at a total cost of HK$3,265 million before offset by government grant (2023: HK$2,322 million).

(ii) Valuation

All of the Group's self-occupied buildings are held in Hong Kong and carried at fair value. All self-occupied 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 loss of HK$71 million (2023: surplus of HK$22 million) and related deferred tax credit of HK$12 million (2023: expenses 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 2024, additions to right-of-use assets were HK$369 million (2023: HK$5,814 million). This amount primarily related to additions of leasehold investment properties of HK$289 million (note 12A) (2023: HK$5,776 million) and plant and equipment leased of HK$58 million (2023: HK$24 million).

13 Service Concession Assets

A During the six months ended 30 June 2024, the Group incurred HK$1,007 million (2023: HK$1,174 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$50 million (2023: HK$39 million) and HK$50 million (2023: HK$43 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$292 million (2023: HK$109 million) of expenditure for asset additions in respect of Shenzhen Metro Line 13 Phase 1 project.

13 Service Concession Assets *(continued)*

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 2024, 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 and 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.

Based on the review performed by the Group as at 30 June 2024 and 31 December 2023, no further impairment loss was recognised as at 30 June 2024 and 31 December 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 formal claim has been received from the HKSAR Government. The HKSAR Government has informed the Company of a number of areas of interest to it arising out of the Company's performance under the HSR Entrustment Agreements ("**Areas of Interest**") for which the HKSAR Government is seeking further information and explanations from the Company. The Company is in the process of reviewing such Areas of Interest and will, following such review, enter into a dialogue with the HKSAR Government with a view to addressing such Government Areas of Interest.

(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

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)*

(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.

(c) As at 30 June 2024, the Company has not made any provision in its interim financial report 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 formal claim by the HKSAR Government against the Company or of any referral by the HKSAR Government to arbitration as of 30 June 2024 and up to the date of this interim financial report and the eventual outcome of any dialogue between the Company and the HKSAR Government on the Areas of Interest remains highly uncertain at the current stage; (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 2024, HK$31 million (2023: HK$39 million) of such costs were incurred by the Company, which are payable by the HKSAR Government. As at 30 June 2024, the amount of such costs which remained outstanding from the HKSAR Government was HK$163 million (31 December 2023: HK$144 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.

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

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

(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.

(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 2024, the provision utilised amounted to HK$59 million (2023: HK$93 million) and no provision was written back (2023: HK$nil). As at 30 June 2024, the provision of HK$248 million (31 December 2023: HK$307 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.

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

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

On 22 January 2020, the HKSAR Government reiterated, in its closing submissions to the COI, that there was failure on the part of both the Company and the contractor Leighton Contractors Asia Limited to perform the obligations which the two parties undertook for the SCL project and that the Company, which was entrusted by the HKSAR Government as the project manager of the SCL project, ought to have provided the requisite degree of skill and care reasonably expected of a professional and competent project manager.

On 12 May 2020, the HKSAR Government published the final report of the COI in which the COI determined that it is fully satisfied that, with the suitable measures in place, the station box, NAT, SAT and HHS structures will be safe and also fit for purpose. The suitable measures for these structures were completed in 2020. The COI also made a number of comments on the construction process (including regarding failures in respect thereof such as unacceptable incidents of poor workmanship compounded by lax supervision and that in a number of respects also, management of the construction endeavour fell below the standards of reasonable competence) and made recommendations to the Company for the future.

(ii) 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 2024, the provision utilised amounted to HK$1 million (2023: HK$24 million) and no provision was written back (2023: HK$nil). As at 30 June 2024, the provision of HK$761 million (31 December 2023: HK$762 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 2024 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 2024 and the year ended 31 December 2023 are as follows:

in HK$ million	Balance at 1 January	Additions^	Utilisation of government grant	Balance at 30 June/ 31 December
At 30 June 2024 (Unaudited)				
Oyster Bay Station	**–**	**166**	**(166)**	**–**
Tung Chung Line Extension	**1,911**	**1,526**	**–**	**3,437**
Tuen Mun South Extension	**826**	**755**	**–**	**1,581**
Kwu Tung Station*	**1,519**	**641**	**–**	**2,160**
	4,256	**3,088**	**(166)**	**7,178**
At 31 December 2023 (Audited)				
Oyster Bay Station	–	170	(170)	–
Tung Chung Line Extension	–	1,911	–	1,911
Tuen Mun South Extension	–	826	–	826
Kwu Tung Station*	–	1,519	–	1,519
	–	4,426	(170)	4,256

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

* According to the project agreement of Kwu Tung Station signed on 5 September 2023 with the HKSAR Government, the Kwu Tung Station project works include, inter alia, (i) the construction of the Kwu Tung Station, and (ii) the detailed planning and design, and the advance works of the Northern Link (main line).

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$6.7 billion (excluding finance costs). As at 30 June 2024, the Company has incurred cumulative expenditure of HK$416 million (31 December 2023: HK$259 million) (excluding finance costs), 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 (excluding finance costs). As at 30 June 2024, the Company has incurred cumulative expenditure of HK$3,361 million (31 December 2023: HK$1,872 million) (excluding finance costs) and has authorised outstanding commitments totalling HK$20.8 billion in relation to the Tung Chung Line Extension project which are included in "Capital Commitments" (note 29A).

The Tuen Mun South Extension project is targeted to complete in 2030. Total capital cost for Tuen Mun South Extension project based on the defined scope of works and programme is estimated at HK$18.2 billion (excluding finance costs). As at 30 June 2024, the Company has incurred cumulative expenditure of HK$1,554 million (31 December 2023: HK$819 million) (excluding finance costs) and has authorised outstanding commitments totalling HK$16.7 billion in relation to the Tuen Mun South Extension project which are included in "Capital Commitments" (note 29A).

The Kwu Tung Station and advance works of the Northern Link (main line), and detailed planning and design of the Northern Link (main line) are targeted to complete in 2027 and 2034 respectively. Total capital cost for Kwu Tung Station project based on the defined scope of works and programme (including the detailed planning and design, and the advance works of the Northern Link (main line)) is estimated at HK$10.8 billion (excluding finance costs). As at 30 June 2024, the Company has incurred cumulative expenditure of HK$2,120 million (31 December 2023: HK$1,510 million) (excluding finance costs) and has authorised outstanding commitments totalling HK$8.7 billion in relation to the Kwu Tung Station 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 2024 and the year ended 31 December 2023 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 2024 (Unaudited)				
Hong Kong Property Development Projects	**41,728**	**195**	**–**	**41,923**
At 31 December 2023 (Audited)				
Hong Kong Property Development Projects	41,269	459	–	41,728

* 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 or distributions of the assets received from developers and utilisation of government grant (if any).

17 Deferred Expenditure

As at 30 June 2024, deferred expenditure included costs of HK$0.5 billion (31 December 2023: HK$0.4 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 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.

19 Properties Held for Sale

in HK$ million	**At 30 June 2024 (Unaudited)**	At 31 December 2023 (Audited)
Properties held for sale		
– at cost	**1,738**	860
– at net realisable value	**998**	1,079
	2,736	1,939
Representing:		
Hong Kong property development	**2,724**	1,927
Mainland China property development	**12**	12
	2,736	1,939

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 2024 and 31 December 2023 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 of the Group as at 30 June 2024 are stated net of provision of HK$98 million (31 December 2023: HK$83 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 2024 (Unaudited)		At 31 December 2023 (Audited)	
in HK$ million	Notional amount	Fair value	Notional amount	Fair value
Derivative Financial Assets				
Foreign exchange forwards				
– cash flow hedges	**268**	**5**	2,164	15
– not qualified for hedge accounting	**108**	**1**	445	8
Cross currency swaps				
– fair value hedges	**6,075**	**40**	3,978	56
– cash flow hedges	**–**	**–**	391	–
Interest rate swaps				
– fair value hedges	**13,312**	**58**	14,774	116
– cash flow hedges	**11,398**	**76**	600	5
– not qualified for hedge accounting	**800**	**43**	1,300	40
	31,961	**223**	23,652	240
Derivative Financial Liabilities				
Foreign exchange forwards				
– fair value hedges	**2,089**	**(3)**	–	–
– cash flow hedges	**2,093**	**(76)**	209	(13)
– not qualified for hedge accounting	**795**	**(33)**	378	(17)
Cross currency swaps				
– fair value hedges	**8,130**	**(319)**	6,528	(346)
– cash flow hedges	**23,311**	**(1,143)**	22,920	(1,030)
Interest rate swaps				
– fair value hedges	**12,179**	**(121)**	5,251	(88)
– cash flow hedges	**4,489**	**(24)**	9,832	(182)
– not qualified for hedge accounting	**300**	**(36)**	300	(34)
	53,386	**(1,755)**	45,418	(1,710)
Total	**85,347**		69,070	

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 through Octopus Cards, QR code and contactless bank cards 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. 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.

21 Debtors and Other Receivables *(continued)*

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

in HK$ million	**At 30 June 2024 (Unaudited)**	At 31 December 2023 (Audited)
Amounts not yet due	**5,084**	5,118
Overdue by within 30 days	**206**	218
Overdue by more than 30 days but within 60 days	**107**	89
Overdue by more than 60 days but within 90 days	**53**	29
Overdue by more than 90 days	**270**	285
Total debtors	**5,720**	5,739
Other receivables and contract assets	**8,243**	8,017
	13,963	13,756

Included in other receivables as at 30 June 2024 was HK$1,459 million (31 December 2023: HK$1,008 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. As previously reported, the Group is studying possible strategic options of this mall in light of the challenging retail property market conditions. The Group will continue to evaluate the appropriate options for this mall. 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 Financial Secretary Incorporated, which holds approximately 74.54% of the Company's issued share capital on trust for the HKSAR Government as at 30 June 2024, 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 2024 (Unaudited)**	At 31 December 2023 (Audited)
Amounts due from:		
– HKSAR Government	**884**	896
– KCRC	**4,957**	4,318
– associates	**775**	588
	6,616	5,802
Amounts due to:		
– HKSAR Government	**4,250**	128
– KCRC	**1,874**	2,420
– associates	**–**	66
	6,124	2,614

22 Material Related Party Transactions *(continued)*

As at 30 June 2024, 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 2024 mainly related to the 2023 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 2024, the amount due from KCRC mainly related to the revenue receivable in respect of the High Speed Rail and the 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 the Shatin to Central Link.

Major related party transactions entered into by the Group which are relevant for the current period include 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 the Shatin to Central Link, the details were described in the Group's annual financial statements for the year ended 31 December 2023. During the six months ended 30 June 2024, amounts recoverable or invoiced by the Company under West Rail Agency Agreement is HK$25 million (2023: HK$18 million) and amount payable or paid by the Company under Service Concession Agreement is HK$1,809 million (2023: HK$1,427 million). During the six months ended 30 June 2024, net revenue received or receivable from KCRC in respect of the High Speed Rail and the Shatin to Central Link under relevant supplemental service concession agreements amounted to HK$1,185 million (2023: HK$844 million).

The Company entered into entrustment agreements with the HKSAR Government for the design, site investigation, procurement activities, construction, testing and commissioning of the High Speed Rail and the Shatin to Central Link. Detailed description of the agreements is provided in notes 14A and 14B. In addition, an amount of HK$97 million was paid/payable to the HKSAR Government (net of amount received/receivable) during the six months ended 30 June 2024 (2023: HK$240 million) under SCL EA3's payment arrangement with the HKSAR Government and relevant contractors.

The Company entered into project agreements with the HKSAR Government for the financing, design, construction, completion, pre-operation, operation and maintenance of new railway extensions and the granting of development rights for commercial and residential property sites along these railway extensions. Pursuant to these project agreements, total amount of land premium payable by the Company in respect of these proposed property developments along these railway extensions shall be assessed by the Government as the full market value of the site (taking into account the presence of the railway) less the agreed reduction amounts for the purpose of bridging the funding gaps of these new railway extensions. These proposed property development sites 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 agreed reduction amount being deducted. Project agreements on these railway extensions that are still under construction in the current period include Tung Chung Line Extension, Kwu Tung Station and Tuen Mun South Extension. The details were described in the Group's annual financial statements for the year ended 31 December 2023.

Apart from these railway extensions, the Company also entered into the project agreement with the HKSAR Government for the financing, design, construction, pre-operation, operation and maintenance of the Oyster Bay Station and is still under construction during the current period. The details were described in the Group's annual financial statements for the year ended 31 December 2023.

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$101 million was recognised as consultancy income during the six months ended 30 June 2024 (2023: HK$88 million).

During the six months ended 30 June 2024, 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 2024**	Six months ended 30 June 2023
Octopus Group		
– Expenses paid or payable in respect of central clearing services provided by Octopus Group	**69**	62
– 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	**16**	15
– Dividend received from Octopus Group	**211**	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	**1,218**	1,147

23 Creditors, Other Payables and Provisions

The analysis of creditors by due dates is as follows:

in HK$ million	**At 30 June 2024 (Unaudited)**	At 31 December 2023 (Audited)
Due within 30 days or on demand	**7,996**	9,191
Due after 30 days but within 60 days	**2,187**	2,188
Due after 60 days but within 90 days	**979**	951
Due after 90 days	**5,294**	4,460
	16,456	16,790
Rental and other refundable deposits	**2,668**	2,498
Accrued employee benefits	**2,475**	1,967
Dividends payable to other shareholders	**1,409**	–
Total creditors and accrued charges	**23,008**	21,255
Other payables, deferred income and provisions	**50,116**	52,303
Contract liabilities	**3,260**	3,124
	76,384	76,682

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$29,937 million (31 December 2023: HK$30,480 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 2024 and 2023 comprise:

	Six months ended 30 June 2024		Six months ended 30 June 2023	
in HK$ million	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	**14,086**	**14,073**	7,482	7,468

During the six months ended 30 June 2024, the Group issued HK$1,700 million of listed debt securities (2023: RMB345 million (HK$399 million)). The Group issued HK$8,691 million, RMB1,555 million (HK$1,669 million) and US$259 million (HK$2,026 million) of unlisted debt securities in the respective currency (2023: HK$5,137 million, RMB400 million (HK$456 million) and US$190 million (HK$1,490 million) in the respective currency).

During the six months ended 30 June 2024, the Group redeemed RMB1,250 million (HK$1,491 million) of its listed debt securities (2023: HK$nil). The Group redeemed HK$830 million of its unlisted debt securities (2023: RMB350 million (HK$414 million)).

As at 30 June 2024 and 31 December 2023, 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 2024, 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 RMB659 million (HK$710 million) bank loan facility granted to it.

As at 30 June 2024, 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 Phase 1 of Shenzhen Metro Line 13 as security for the RMB3.2 billion (HK$3.4 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 2024.

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 2024 and the year ended 31 December 2023 are as follows:

	Deferred tax arising from							
in HK$ million	Depreciation allowances in excess of related depreciation	Right-of-use assets	Lease liabilities	Revaluation of properties	Provision and other temporary differences	Cash flow hedges	Tax losses	Total
Balance as at 1 January 2024	**14,618**	**62**	**(106)**	**766**	**(655)**	**(102)**	**(35)**	**14,548**
Charged/(credited) to profit or loss	**111**	**(10)**	**14**	**–**	**(108)**	**–**	**2**	**9**
(Credited)/charged to other comprehensive income	**–**	**–**	**–**	**(12)**	**–**	**33**	**–**	**21**
Disposal of subsidiaries (note 2)	**–**	**–**	**32**	**(23)**	**–**	**–**	**–**	**9**
Exchange differences	**–**	**9**	**(9)**	**–**	**25**	**–**	**–**	**25**
Balance as at 30 June 2024 (Unaudited)	**14,729**	**61**	**(69)**	**731**	**(738)**	**(69)**	**(33)**	**14,612**
Balance as at 1 January 2023	13,980	56	(115)	799	(509)	18	(135)	14,094
Charged/(credited) to profit or loss	638	4	14	(34)	(102)	–	68	588
Charged/(credited) to other comprehensive income	–	–	–	5	(53)	(120)	–	(168)
Reclassified as disposal group held for sale (note 30)	–	1	–	–	–	–	28	29
Exchange differences	–	1	(5)	(4)	9	–	4	5
Balance as at 31 December 2023 (Audited)	14,618	62	(106)	766	(655)	(102)	(35)	14,548

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

in HK$ million	**At 30 June 2024 (Unaudited)**	At 31 December 2023 (Audited)
Net deferred tax assets	**(657)**	(603)
Net deferred tax liabilities	**15,269**	15,151
	14,612	14,548

26 Share Capital and Shares Held for Executive Share Incentive Scheme

A Share Capital

	Six months ended 30 June 2024 (Unaudited)		Year ended 31 December 2023 (Audited)	
	Number of shares	HK$ million	Number of shares	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**6,217,197,282**	**61,083**	6,202,060,784	60,547
Shares issued in respect of scrip dividend of 2022 final ordinary dividend	**–**	**–**	12,108,603	438
Shares issued in respect of scrip dividend of 2023 interim ordinary dividend	**–**	**–**	3,027,895	97
Vesting of shares of Executive Share Incentive Scheme	**–**	**1**	–	1
At 30 June/31 December	**6,217,197,282**	**61,084**	6,217,197,282	61,083

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

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

B Shares Held for Executive Share Incentive Scheme

During the six months ended 30 June 2024, the Company awarded Performance Shares and Restricted Shares under the Company's Executive Share Incentive Scheme to certain eligible employees of the Group. 492,823 Performance Shares were awarded and accepted by the grantees on 18 March 2024, and a total of 3,221,000 Performance Shares and 4,099,500 Restricted Shares were awarded and accepted by the grantees on 8 April 2024 (2023: 42,850 Performance Shares and 2,561,550 Restricted Shares were awarded and accepted by the grantees on 11 April 2023). The fair value of these awarded shares were HK$25.70 per share on 18 March 2024 and HK$25.40 per share on 8 April 2024 (2023: HK$39.10 per share on 11 April 2023).

During the six months ended 30 June 2024, 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 7,454,157 Ordinary Shares (2023: 2,310,000 Ordinary Shares) of the Company for a total consideration of approximately HK$207 million (2023: HK$91 million).

During the six months ended 30 June 2024, 4,192,935 award shares (2023: 1,963,938 award shares) were transferred to the awardees under the Executive Share Incentive Scheme upon vesting. The total cost of the vested shares was HK$174 million (2023: HK$85 million). During the six months ended 30 June 2024, HK$1 million (2023: HK$1 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 2024, 107,726 award shares (2023: 88,376 award 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 2024 and the year ended 31 December 2023, 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 2024, there were HK$309 million (31 December 2023: HK$298 million) of listed debt securities carried at fair value using Level 1 measurements and HK$597 million (31 December 2023: HK$564 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 2024, the fair values of derivative financial assets and derivative financial liabilities were HK$223 million (31 December 2023: HK$240 million) and HK$1,755 million (31 December 2023: HK$1,710 million) respectively.

The discounted cash flow method, which discounts the future contractual cash flows at the current market interest rates, is the main valuation technique used to determine the fair value of the Group's borrowings 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.

27 Fair Value Measurement *(continued)*

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

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 2024 (Unaudited)**	Year ended 31 December 2023 (Audited)
At 1 January	**564**	669
Additions	**46**	66
Disposal	**–**	(203)
Changes in fair value recognised in profit or loss	**(4)**	46
Exchange differences recognised in other comprehensive income	**(9)**	(14)
At 30 June/31 December	**597**	564

As at 30 June 2024, 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$24 million/ HK$24 million (31 December 2023: HK$22 million/HK$22 million).

As at 31 December 2022, included in the Group's cash, bank balances and deposits were HK$1,718 million of structured bank deposits carried at fair value using Level 3 measurements. During the year ended 31 December 2023, the disposal of structured bank deposits amounted to HK$1,718 million.

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

During the six months ended 30 June 2024 and the year ended 31 December 2023, 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 2024 and 31 December 2023 except for capital market instruments, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2024 (Unaudited)		At 31 December 2023 (Audited)	
in HK$ million	Carrying amount	Fair value	Carrying amount	Fair value
Capital market instruments	**65,929**	**63,808**	54,378	53,002

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. 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 2024**	Six months ended 30 June 2023
Operating profit before Hong Kong property development, fair value measurement of investment properties, depreciation, amortisation and variable annual payment arising from recurrent businesses	**9,114**	7,256
Adjustments for non-cash items	**157**	62
Operating profit before working capital changes	**9,271**	7,318
Increase in debtors and other receivables	**(898)**	(1,376)
Increase in stores and spares	**(128)**	(235)
Increase in creditors, other payables and provisions	**734**	387
Cash generated from operations	**8,979**	6,094

29 Capital Commitments, Contingent Liabilities and Legal Proceedings

A Capital Commitments

(i) Outstanding capital commitments as at 30 June 2024 and 31 December 2023 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 2024 (Unaudited)					
Authorised but not yet contracted for	**33,782**	**32,376**	**2,755**	**984**	**69,897**
Authorised and contracted for	**22,392**	**20,487**	**10,867**	**1,801**	**55,547**
	56,174	**52,863**	**13,622**	**2,785**	**125,444**
At 31 December 2023 (Audited)					
Authorised but not yet contracted for	32,082	36,018	3,263	1,027	72,390
Authorised and contracted for	18,883	19,934	10,800	2,130	51,747
	50,965	55,952	14,063	3,157	124,137

Notes:

(a) As at 30 June 2024, capital commitments of Hong Kong railway extension project included costs of HK$52.5 billion in respect of which the project agreements have been signed, remaining costs of HK$0.4 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 2024.

(b) As at 30 June 2024, capital commitment of Mainland China and overseas operations included the authorised outstanding commitments totalling HK$2.8 billion for the capital expenditure in relation to the Shenzhen Metro Line 13 Phase 1 project.

In addition to the above, the Group has the capital commitments in respect of its investments in subsidiary of Shenzhen Metro Line 13 Phase 1 project. The Group is responsible to contribute equity injection to Shenzhen Metro Line 13 Phase 1 project of up to RMB1,428 million (HK$1,611 million). Up to 30 June 2024, the Group has contributed RMB999 million (HK$1,149 million) equity to the project.

(ii) 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 2024 (Unaudited)				
Authorised but not yet contracted for	**24,632**	**3,670**	**5,480**	**33,782**
Authorised and contracted for	**18,364**	**1,759**	**2,269**	**22,392**
	42,996	**5,429**	**7,749**	**56,174**
At 31 December 2023 (Audited)				
Authorised but not yet contracted for	24,146	2,992	4,944	32,082
Authorised and contracted for	15,149	1,550	2,184	18,883
	39,295	4,542	7,128	50,965

29 Capital Commitments, Contingent Liabilities and Legal Proceedings *(continued)*

B Contingent Liabilities and Legal Proceedings

The Company has not received notification of any legal or arbitration proceedings in relation to the construction of either the HSR Project or the SCL Project. The potential for future proceedings in relation to the construction of: (i) the HSR Project are set out in note 14A; and (ii) the SCL Project are set out in note 14B.

As discussed in note 8B, the Company has objected to the notices of profits tax assessments/additional profits tax assessments for years of assessment from 2009/2010 to 2017/2018 which disallowed deduction of certain payments relating to the Rail Merger.

A collective action has been launched against several train operators in the United Kingdom, including First MTR South Western Trains Limited, an associate of the Group. The action alleges that the train operators breached the competition law by abusing their dominant positions. Specifically, the plaintiff claims that the operators failed to make sufficiently available a specific type of tickets offering "boundary fares" to Travelcard holders, resulting in double-charging the affected passengers for part of their journeys. Court trials for the action will be split into three separate stages, with the first trial completed in July 2024, with the judgement expected in the second half of 2024. Whilst the Company is not separately named in the action, it is a 30% shareholder in the First MTR South Western Trains Limited. It is not possible at this time to predict with certainty what liability, if any, the Company might have in respect of this collective action.

Other than the above, whilst the Company may be involved in legal proceedings in the ordinary course of business from time to time, neither the Company nor any of its directors were involved in any litigation, arbitration or administrative proceedings, which in a material way impact on the Company's business, financial condition or operations. As of the date of this interim financial report, the Company is not aware of any pending or threatened litigation, arbitration or administrative proceedings against the Company or its directors, which would have a material and adverse impact on the Company's business, financial condition, or operations.

30 Assets and Liabilities of Disposal Group Classified as Held For Sale

in HK$ million	**At 30 June 2024 (Unaudited)**	At 31 December 2023 (Audited)
Assets		
Other property, plant and equipment	–	356
Deferred tax assets	–	29
Debtors and other receivables	–	20
Cash, bank balances and deposits	–	94
Assets of disposal group classified as held for sale	–	499
Liabilities		
Creditors, other payables and provisions	–	99
Liabilities of disposal group classified as held for sale	–	99

In 2023, the Group had conducted a strategic review (including divestment) of MTR Express (Sweden) AB, a wholly-owned subsidiary of the Group operating MTRX service in Sweden. With the implementation of an active sale programme, the sale of MTR Express (Sweden) AB was considered as highly probable at 31 December 2023. As such, assets of HK$499 million and liabilities of HK$99 million of MTR Express (Sweden) AB were reclassified as "disposal group held for sale" in the consolidated statement of financial position as at 31 December 2023. During the six months ended 30 June 2024, the Group entered into an agreement with an independent third party on 8 February 2024 for the sale of MTR Express (Sweden) AB. The transaction was completed in May 2024 (note 2).

31 Approval of Interim Financial Report

The interim financial report was approved by the Board on 15 August 2024.

KPMG

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 46 to 75 which comprises the consolidated statement of financial position of MTR Corporation Limited as of 30 June 2024 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

15 August 2024

INFORMATION FOR OUR INVESTORS

FINANCIAL CALENDAR 2024

Announcement of 2023 annual results	7 March
Annual General Meeting	22 May
Ex-dividend date for 2023 final dividend	24 May
Book closure period for 2023 final dividend	28 May to 31 May
2023 final dividend payment date	16 July
Announcement of 2024 interim results	15 August
Ex-dividend date for 2024 interim dividend	28 August
Book closure period for 2024 interim dividend	30 August to 4 September
2024 interim dividend payment date	17 September
Financial year end	31 December

DIVIDEND INFORMATION

Dividend per Share

	(in HK$)
2023 Interim Ordinary Dividend	0.42
2023 Final Ordinary Dividend	0.89
2024 Interim Ordinary Dividend	0.42

Dividend history can be found in our corporate website.

Dividend Policy

The Company has a progressive ordinary dividend policy. The aim of this policy is to steadily increase or at least maintain the Hong Kong dollar value of ordinary dividends per share annually. In setting the proposed level of dividend payable in respect of any period, the Board considers, inter alia, the financial performance and future funding needs of the Company.

SHAREHOLDINGS AS AT 30 JUNE 2024

Ordinary Shares

Shares outstanding	6,217,197,282 shares
Hong Kong SAR Government Shareholding	4,634,173,932 shares (74.54%)
Free float	1,583,023,350 shares (25.46%)

Market Capitalisation

As at 30 June 2024	HK$153,254 million

SHARE INFORMATION

Stock Codes

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
Website: https://www.computershare.com/hk/en

Shareholder Enquiries

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

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

Investor Relations

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

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

Email: investor@mtr.com.hk

Financial Reports

Shareholders can obtain copies of our annual/interim reports by writing to:

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

If you are not a shareholder, please write to:
Corporate Affairs Department, MTR Corporation Limited
MTR Headquarters Building, Telford Plaza, Kowloon Bay,
Kowloon, Hong Kong

Our annual/interim reports are also available online at our corporate website.

Principal Place of Business and Registered Office

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