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## MTR CORPORATION LIMITED

香港鐵路有限公司

(the "Company")

(Incorporated in Hong Kong with limited liability)

(Stock Code: 66)

### INSIDE INFORMATION

#### PROFIT WARNING

The Board expects the Group to report a net loss attributable to shareholders of the Company of around HK\$0.4 billion (representing the midpoint of the estimated loss range of between HK\$0.2 billion and HK\$0.7 billion) for the six months ended 30 June 2020, compared to a net profit attributable to shareholders of the Company of HK\$5.5 billion for the same period in 2019.

The following table shows the expected figures underlying the expected net loss attributable to shareholders of the Company:

HK\$ billion	Six months ended 30 June	
	2020 Estimate*	2019 Actual
<b>Profit from Recurrent Businesses</b>	0.4 <sup>#</sup>	2.6
<b>Profit from property development businesses</b>	5.2	0.8
<b>Investment property portfolio revaluation (loss) / gain</b>	(6.0)	2.1
<b>Net (loss) / profit attributable to shareholders of the Company</b>	<u>(0.4)<sup>Δ</sup></u>	<u>5.5</u>

\*Figures are based on management information currently available including the preliminary assessment of the latest unaudited management accounts of the Group for the six months ended 30 June 2020. The actual results of the Group for the six months ended 30 June 2020 have not been finalised and have not been reviewed or audited by the auditors of the Group. The actual results of the Group for the six months ended 30 June 2020 may be different from the information contained in this announcement.

<sup>#</sup>The profit from Recurrent Businesses represents the midpoint of the estimated profit range of between HK\$0.2 billion and HK\$0.7 billion.

<sup>Δ</sup>The net loss attributable to shareholders of the Company represents the midpoint of the estimated loss range of between HK\$0.2 billion and HK\$0.7 billion.

– The expected net loss of around HK\$0.4 billion (representing the midpoint of the estimated loss range of between HK\$0.2 billion and HK\$0.7 billion) is mainly due to (i) as previously announced, the significant adverse impact of the COVID-19 pandemic and the deterioration of the general economic environment on the Group's Recurrent Businesses and (ii) the revaluation loss on the Group's investment property portfolio which is expected to be around HK\$6.0 billion for the six months ended 30 June 2020.

– The Board is of the view that the overall financial position of the Group remains sound when taking into account the rail and property businesses of the Group as a whole.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**Investors should exercise caution in their dealings in the securities of the Company. The price of the Company's shares may be subject to fluctuations.**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 11 February 2020 and 5 March 2020 which discussed, amongst other things, the significant impact of the COVID-19 pandemic on the Group and its businesses.

Based on the management information currently available to the Board including the preliminary assessment of the latest unaudited management accounts of the Group for the six months ended 30 June 2020, the Board expects the Group to report a net loss attributable to shareholders of the Company of around HK\$0.4 billion (representing the midpoint of the estimated loss range of between HK\$0.2 billion and HK\$0.7 billion) for the six months ended 30 June 2020, compared to a net profit attributable to shareholders of the Company of HK\$5.5 billion for the same period in 2019.

The following table shows the expected figures underlying the expected net loss attributable to shareholders of the Company:

<b>HK\$ billion</b>	<b>Six months ended 30 June</b>	
	<b>2020 Estimate*</b>	<b>2019 Actual</b>
<b>Profit from Recurrent Businesses</b>	0.4 <sup>#</sup>	2.6
<b>Profit from property development businesses</b>	5.2	0.8
<b>Investment property portfolio revaluation (loss) / gain</b>	(6.0)	2.1
<b>Net (loss) / profit attributable to shareholders of the Company</b>	<b>(0.4)<sup>Δ</sup></b>	<b>5.5</b>

*\*Figures are based on management information currently available including the preliminary assessment of the latest unaudited management accounts of the Group for the six months ended 30 June 2020. The actual results of the Group for the six months ended 30 June 2020 have not been finalised and have not been reviewed or audited by the auditors of the Group. The actual results of the Group for the six months ended 30 June 2020 may be different from the information contained in this announcement.*

*<sup>#</sup>The profit from Recurrent Businesses represents the midpoint of the estimated profit range of between HK\$0.2 billion and HK\$0.7 billion.*

*<sup>Δ</sup>The net loss attributable to shareholders of the Company represents the midpoint of the estimated loss range of between HK\$0.2 billion and HK\$0.7 billion.*

The expected net loss attributable to shareholders of the Company for the six months ended 30 June 2020 is mainly due to:

- (i) as previously announced, the significant adverse impact of the COVID-19 pandemic and the deterioration of the general economic environment on the Group's Recurrent Businesses; and
- (ii) the revaluation loss on the Group's investment property portfolio which is expected to be around HK\$6.0 billion for the six months ended 30 June 2020 due to the adverse impact of the COVID-19 pandemic and the deterioration of the general economic environment.

The Group expects to recognise a profit from its property development businesses of around HK\$5.2 billion for the six months ended 30 June 2020.

As a result, the Group is expected to report an improved profit from its Underlying Businesses for the six months ended 30 June 2020, compared to the same period in 2019, but this is expected to be more than offset by the expected investment property revaluation loss on the Group's investment property portfolio described in this announcement, resulting in the expected net loss attributable to shareholders of the Company stated above.

Further details are set out below.

## ADVERSE IMPACT OF COVID-19 PANDEMIC AND DETERIORATION OF GENERAL ECONOMIC ENVIRONMENT ON RECURRENT BUSINESSES

The Group's Recurrent Businesses are continuing to be significantly adversely affected as a result of the COVID-19 pandemic and the deterioration of the general economic environment. Various measures have been implemented in Hong Kong and globally to address the outbreak of COVID-19 such as, in the case of Hong Kong, the closure of several boundary crossings between Hong Kong and the Mainland of China (including the crossings at Lo Wu, Lok Ma Chau and Hong Kong West Kowloon stations, as well as the Intercity through train control point at Hung Hom Station), travel restrictions, social distancing, work-from-home and school closure measures. These measures, coupled with the deterioration of the general economic environment, have had a significant adverse impact on the Group's Recurrent Businesses, which has led to:

- (i) a substantial reduction in patronage on the Company's services as previously disclosed by the Company. The following table shows the levels of patronage in Hong Kong for January to June (inclusive) for each of 2019 and 2020:

Month	Patronage in 2019* ( in million )	Patronage in 2020* ( in million )	Patronage Change ( % )
January	182.2	140.2	- 23.1%
February	155.0	81.4	- 47.5%
March	177.8	95.3	- 46.4%
April	164.1	85.1	- 48.1%
May	175.6	110.1	- 37.3%
June	167.7	125.1 <sup>^</sup>	- 25.4% <sup>^</sup>
Total (January to June (inclusive))	1,022.4	637.2 <sup>^</sup>	- 37.7% <sup>^</sup>

\* This figure represents the total patronage on the following services in Hong Kong: the Domestic Service, the Airport Express, the Cross-boundary, the Intercity, Light Rail, Bus and the High Speed Rail, which is published monthly in the Company's website.

<sup>^</sup> Provisional figure and subject to change

- (ii) (a) the Group granting rental abatements to support duty free concession holders as well as other station kiosks as a result of the closure of several boundary crossings between Hong Kong and the Mainland of China and (b) the Group granting rental abatements to the retail tenants of station kiosks which have been adversely affected due to such closure of MTR stations and reduced footfall in stations on the Domestic Service as a result of reduced patronage;
- (iii) the Group granting rental abatements to the retail tenants in MTR malls in Hong Kong which have been adversely affected due to fewer shoppers and diners; and

- (iv) an adverse impact on the Group's Recurrent Businesses outside Hong Kong to varying degrees due to the COVID-19 pandemic and related governmental measures.

As previously disclosed in the Company's announcement dated 5 March 2020 and in the Group's 2019 Annual Report, the estimated total adverse financial impact of the COVID-19 pandemic (which started to have an effect on the Group in late January 2020) and the aftermath of the Hong Kong public order events for the first two months of 2020 amounted to around HK\$1.3 billion on the profit from Recurrent Businesses.

Taking into account the matters described in (i) to (iv) (inclusive) above and based on the management information currently available to the Board, including the preliminary assessment of the latest unaudited management accounts of the Group for the six months ended 30 June 2020, the Board expects the Group to report a substantial decrease in profit from Recurrent Businesses to HK\$0.4 billion (representing the midpoint of the estimated profit range of between HK\$0.2 billion and HK\$0.7 billion) for the six months ended 30 June 2020, compared to a profit of HK\$2.6 billion for the same period in 2019.

#### **PROPERTY DEVELOPMENT PROFIT**

The Board expects the Group to recognise a profit from its property development businesses of around HK\$5.2 billion for the six months ended 30 June 2020, including the profit booked from LP6 (LOHAS Park Package 6), compared to a profit of HK\$0.8 billion for the same period in 2019.

#### **REVALUATION OF INVESTMENT PROPERTY PORTFOLIO**

Due to the adverse impact of the COVID-19 pandemic and the deterioration of the general economic environment, based on a preliminary property revaluation performed by the Group's external independent valuers, the Board expects the Group to report an investment property revaluation loss for the six months ended 30 June 2020 (which is a non-cash accounting item resulting from a decline of around 6.5% in the appraised value of the Group's investment property portfolio of HK\$91.7 billion as at 31 December 2019) of around HK\$6.0 billion, compared to a revaluation gain of HK\$2.1 billion for the same period in 2019.

#### **OVERALL FINANCIAL POSITION**

Taking into account the foregoing estimated financial results of the Group's Recurrent Businesses, property development businesses and investment property portfolio revaluation, the Group expects to report a net loss attributable to shareholders of the Company of around HK\$0.4 billion (representing the midpoint of the estimated loss range of between HK\$0.2 billion and HK\$0.7 billion) for the six months ended 30 June 2020, compared to a net profit of HK\$5.5 billion for the same period in 2019.

#### **GENERAL**

As previously disclosed in the Company's announcements dated 28 February 2020 and 5 March 2020, given the uncertainty and potential financial impact to the Company in connection with any

increase in the project management fee sought by the Company in respect of the Shatin to Central Link project (details of which are contained in the Company's announcements dated 28 February 2020 and 5 March 2020), at the appropriate time following further developments relating to this matter, the Company will recognise a provision in its consolidated profit and loss account of an amount of up to HK\$1,371 million to reflect the additional cost to the Company of completing its remaining project management responsibilities in respect of the Shatin to Central Link project. The figures included in the previous sections of this announcement do not take into account a provision for the additional cost to the Company of completing its remaining project management responsibilities. The Company will continue to reassess the position on an ongoing basis and will recognise a provision at the appropriate time following further developments.

When taking into account the rail and property businesses of the Group as a whole, the Board is of the view that the overall financial position of the Group remains sound.

The financial information contained in this announcement is based on the preliminary unaudited management accounts of the Group and the information currently available to the Group which may be subject to adjustments. The actual results of the Group for the six months ended 30 June 2020 have not been finalised and have not been reviewed or audited by the auditor of the Group. The actual results of the Group for the six months ended 30 June 2020 may be different from the information contained in this announcement.

The Board will continue to monitor the financial position and business prospects of the Group and will make further announcement(s) if appropriate.

**Investors should exercise caution in their dealings in the securities of the Company. The price of the Company's shares may be subject to fluctuations.**

## **DEFINITIONS**

<b>"Airport Express"</b>	means train service provided between AsiaWorld-Expo Station and Hong Kong Station;
<b>"Board"</b>	means the board of directors of the Company;
<b>"Bus"</b>	means feeder bus services operated in support of West Rail Line, East Rail Line and Light Rail;
<b>"Company"</b>	means MTR Corporation Limited;
<b>"Cross-boundary"</b>	means train services with destination to/commencing from Lo Wu and Lok Ma Chau stations;
<b>"Domestic Service"</b>	means the Tsuen Wan Line, Island Line, South Island Line, Kwun Tong Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line, East Rail Line (excluding Cross-boundary), Tuen Ma Line Phase 1 and West Rail Line;

<b>“Group”</b>	means the Company and its subsidiaries;
<b>“High Speed Rail”</b>	means Guangzhou-Shenzhen-Hong Kong High Speed Rail (Hong Kong Section);
<b>“Intercity”</b>	means the intercity passenger services operated between Hong Kong and major cities in the Mainland of China such as Beijing, Shanghai and Guangzhou;
<b>“Light Rail”</b>	means the train services of the light rail system serving the North West New Territories;
<b>“Listing Rules”</b>	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
<b>“Recurrent Businesses”</b>	means the Group’s Hong Kong transport operations, Hong Kong station commercial businesses, Hong Kong property rental and management businesses, Mainland of China and international railway, property rental and management businesses and other businesses; and
<b>“Underlying Businesses”</b>	means, together, the Recurrent Businesses and the Group’s property development businesses.

By Order of the Board  
**Gillian Elizabeth Meller**  
*Company Secretary*

Hong Kong, 7 July 2020

As at the date of this announcement:

*Members of the Board:* Rex Auyeung Pak-kuen (Chairman)\*\*, Dr Jacob Kam Chak-pui (Chief Executive Officer), Andrew Clifford Winawer Brandler\*, Dr Bunny Chan Chung-bun\*, Walter Chan Kar-lok\*, Dr Pamela Chan Wong Shui\*, Dr Dorothy Chan Yuen Tak-fai\*, Cheng Yan-kee\*, Dr Anthony Chow Wing-kin\*, Dr Eddy Fong Ching\*, James Kwan Yuk-choi\*, Rose Lee Wai-mun\*, Lucia Li Li Ka-lai\*, Jimmy Ng Wing-ka\*, Benjamin Tang Kwok-bun\*, Johannes Zhou Yuan\*, Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury)\*\*, Secretary for Transport and Housing (Frank Chan Fan)\*\*, Permanent Secretary for Development (Works) (Lam Sai-hung)\*\* and Commissioner for Transport (Mable Chan)\*\*

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

\* *independent non-executive Director*

\*\* *non-executive Director*

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