Stock code: 66

KEEP MOVING

Interim Report 2020

2020 INTERIM RESULTS PERFORMANCE HIGHLIGHTS

Recurrent Business Revenue	HK$ 21.6 billion ▼ **23.6%**
Recurrent Business Profit^	HK$ 0.4 billion ▼ **83.8%**
Property Development Profit	HK$ 5.2 billion ▲ **571.0%**
Investment Property Revaluation Loss	HK$ 6.0 billion (vs HK$2.1 billion revaluation gain for the six months ended 30 June 2019)
Net Loss Attributable to Shareholders of the Company	HK$ 0.3 billion (vs HK$5.5 billion net profit for the six months ended 30 June 2019)
Interim Ordinary Dividend	HK$ 0.25 per share (vs HK$0.25 per share of 2019 interim ordinary dividend)
Total Assets	HK$ 287.6 billion ▼ **0.6%** (vs 31 December 2019)
Net Assets	HK$ 180.0 billion ▼ **3.6%** (vs 31 December 2019)
Net Debt-to-Equity Ratio	18.9% ▲ **3.5% pts.** (vs 31 December 2019)

^ : including share of profit / loss of associates and joint venture

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08 Fairmont House
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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
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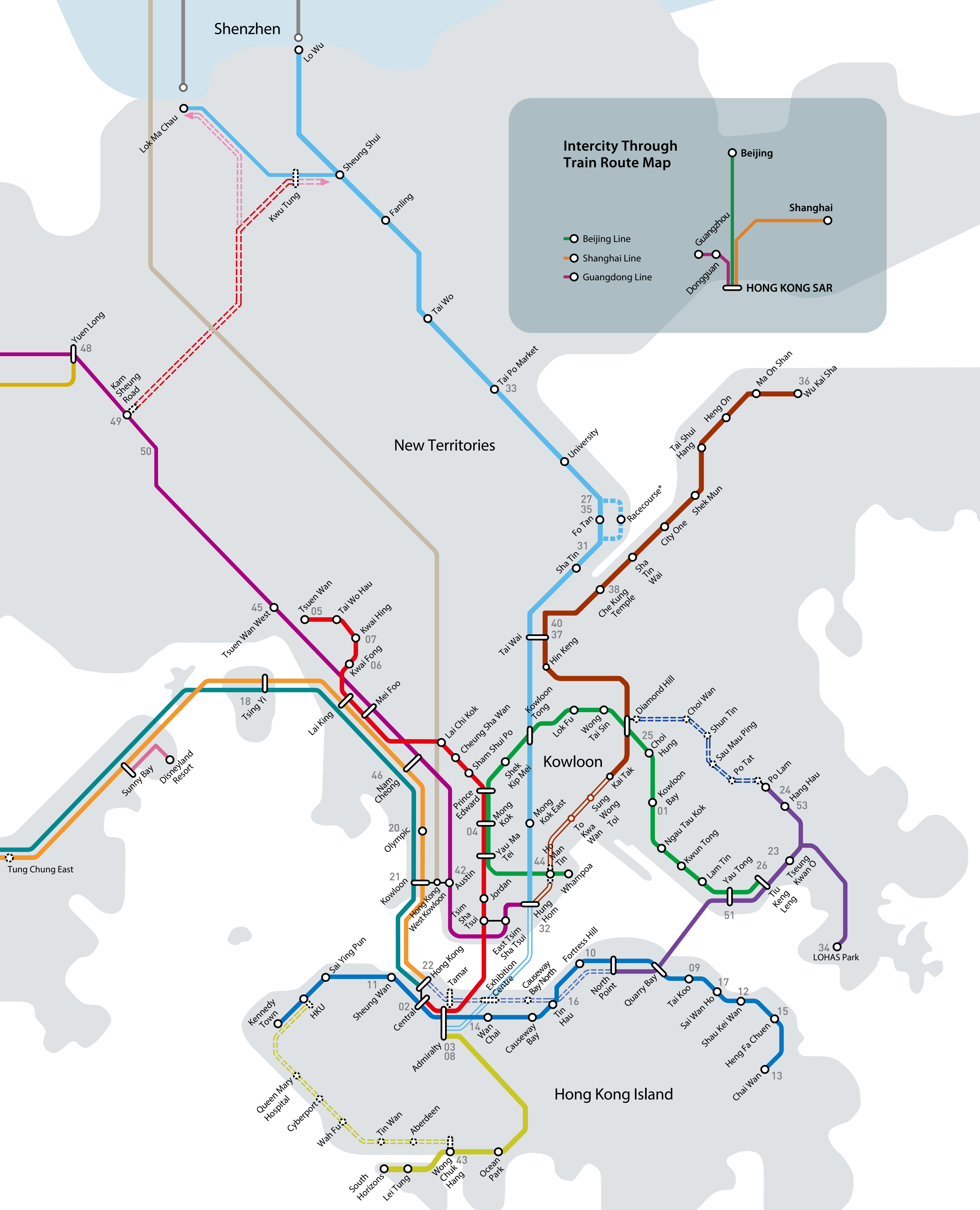


96 Stations

262.6 km Route Length

CHAIRMAN'S LETTER

Dear Shareholders and other Stakeholders,

The past year has been an exceptionally challenging one for me as Chairman of the Board and for the Corporation as a whole.

Following the public order events in the second half of 2019, we were then confronted with the outbreak of the COVID-19 pandemic in Hong Kong and across the globe. The impact of the novel coronavirus came at a scale and magnitude unseen before in our history. To our core business as a transport operator, the pandemic brought substantially reduced patronage and revenue in our operations, particularly in Hong Kong.

Despite the odds, MTR managed to make progress on projects that are important to our continued growth over the long term. In February, we opened Tuen Ma Line Phase 1 and have made further progress on the remaining works of the Shatin to Central Link that will greatly add to the connectivity and convenience of our railway network in Hong Kong. We also secured policy support for new railway projects, two of which are now in the planning and design phase. We also continued to upgrade our railway facilities to provide an even more comfortable travelling experience for customers.

Our property development business continued to perform well despite a softening property market, with presales activities launched for a number of projects in our growing portfolio of residential developments.

As a good corporate citizen, the Corporation made efforts to alleviate some of the financial strain on our passengers and business partners during the pandemic. We were among the first in Hong Kong to introduce rental concessions for our tenants. Mindful of the impact of COVID-19 on people's livelihood, we also introduced relief measures, including a "20% Rebate for Every Octopus Trip" for six months from 1 July 2020 to 1 January 2021.

My heartfelt thanks go to our staff for their dedication and professionalism to keep Hong Kong moving in such challenging times. They are the unsung heroes behind the smooth operation of our city, providing a clean and safe transit network to keep our people and businesses connected.

BOARD STRATEGY REVIEW

In August 2019, our Board undertook a review of our vision and corporate strategy so that MTR will be well positioned for a future that will be very different from today. This process was interrupted by the public order events and the more recent COVID-19 outbreak, however, and as a result the review took longer to complete.

During the strategy review, our Board arrived at a number of conclusions on what we should do to enable MTR to move forward over the next 15 years.

Among these conclusions, we determined that MTR must set bold business and social targets that are conducive to the long-term sustainability of the Corporation. To achieve these targets, we should ensure our Hong Kong core business is capable of reaching its full potential by exploring adjacent businesses and continually improving the customer experience and services we provide, without losing our focus on Mainland of China and International business markets.

Equally important, we must deliver large projects more efficiently by improving our cost management and continuing to improve the effectiveness of our business units.

As a responsible corporate citizen, MTR attaches great importance to creating shared value for the communities we serve with a strong Environmental, Social and Governance ("ESG") regime. Moving ahead, our focus will be on carbon reduction, leveraging our DNA as a green mode of transportation and strengthening our position as a caring member of the community.

Fulfilling these objectives will require us to strengthen our corporate effectiveness and efficiency in order to create a more fit-for-future organisation. This will entail continued efforts to raise effectiveness and efficiency in business processes through digitalisation, and the wider use of data and analytics in decision making. Meanwhile, we shall conduct a rigorous review of our organisational structure to ensure it meets the needs of our business goals.

A Transformation Management Office has recently been set up to provide dedicated efforts to enable and deliver our strategic transformation. Further updates will be provided, as we continue to thrash out the details of the corporate strategy.

BUSINESS PERFORMANCE AND GROWTH

During the period, the COVID-19 outbreak had a significant impact not only on our passengers, customers and tenants, but also on our business performance, despite such impact was partially mitigated by our property development business in Hong Kong.

The Hong Kong rail operation is core to our business. In the first six months of the year, we maintained a record of 99.9% in terms of train service delivery and passenger journeys on-time on our heavy rail network. We continued to pursue a better commuting experience for our passengers by making further improvements to our railway network and station environments. For passengers' convenience, we have provided charging facilities as well as babycare rooms across our network.

Many of the improvements we have made leverage the latest advances in technology. Incorporating Artificial Intelligence, Virtual Reality, cloud computing and the Internet of Things, these advances will in the long run vastly improve the way we manage our facilities and projects, plan communities and meet the needs of our customers. Ultimately, they will transform our Company into one that is more technology-enabled and make us even more competitive in global markets.

In the first six months of 2020, MTR continued to make progress towards the completion of the Shatin to Central Link project, with the opening of the Tuen Ma Line Phase 1 in February. This line, which has been well received by the Hong Kong public, is now providing greater convenience to passengers travelling to and from Wu Kai Sha Station in East New Territories and Kai Tak Station in East Kowloon. The scheduled completion of the full Tuen Ma Line in the third quarter of 2021 will further extend the existing Tuen Ma Line Phase 1 to the West Rail Line. When the Hung Hom to Admiralty Section (East Rail Line extending to Admiralty Station) is completed, passengers on the East Rail Line will be able to cross the harbour to Admiralty Station on Hong Kong Island with significantly reduced travelling time.

Also during the period, the Government published the Final Report of the Commission of Inquiry ("COI") on project quality issues related to the Hung Hom Extension of the Shatin to Central Link project. Among its conclusions, it stated that it is fully satisfied that the structures will be safe and fit for purpose with the suitable measures in place. It also made a number of comments on the construction process (including failures in respect thereof, such as poor workmanship incidents 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. We accepted these comments and have pledged to do a better job on the projects we undertake. In fact, even before the release of the reports of the COI, we had been implementing the recommendations made by the COI in its initial report, along with those of our own consultant, so that incidents of similar nature are not repeated in future.

We are committed to further extending the railway network in Hong Kong to enhance connectivity across the city. In this regard, we are pleased to have been invited by Government to proceed with detailed planning and design for the Tung Chung Line Extension and Tuen Mun South Extension under its Railway Development Strategy 2014 ("RDS 2014"). We have already submitted proposals for four more new railway projects under RDS 2014, including the Northern Link (including Kwu Tung Station), East Kowloon Line, North Island Line and Hung Shui Kiu Station. A proposal for the remaining project South Island Line (West) under RDS 2014 is now expected to be submitted to Government later this year.

Outside Hong Kong, we opened the full line of the 56.2-km Hangzhou Metro Line 5, started a joint venture in Chengdu for station commercial business, and were awarded by Shenzhen Municipal Government the Shenzhen Metro Line 13 Public-Private-Partnership project, while continuing to seek growth opportunities beyond our core market. We also supported countries and areas in the Mainland of China's Belt and Road region by sharing our railway expertise through programmes offered by the MTR Academy.

FINANCIAL PERFORMANCE

For the first half of 2020, recurrent business profit attributable to shareholders decreased by 83.8% to HK$433 million. Property development profit for the period increased from HK$775 million to HK$5,200 million. As a result, underlying business profit increased by 63.8% to HK$5,633 million. Including the revaluation loss of investment properties of HK$5,967 million, net loss attributable to shareholders of the Company was HK$334 million, compared to a net profit of HK$5,506 million in the same period in 2019. The Board has declared an interim ordinary dividend of HK$0.25 per share.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

During the coronavirus epidemic, we continued to maintain our focus on ESG performance across our businesses in and outside of Hong Kong. This means taking a lead in environmental protection, continuing to conserve resources and reducing our electricity consumption and carbon emissions, particularly through the adoption of advanced technology.

I must take this opportunity to commend our staff, who have been working hard to maintain a world class service during the COVID-19 pandemic and to keep MTR, Hong Kong and the cities we serve moving safely. Our infection mitigation strategy brings together state-of-the-art contamination prevention and deep cleansing technology, notably the application of multilevel antimicrobial polymer coatings on train compartments to help prevent microbial contamination and infrastructure corrosion, and the deployment of our "Vaporised Hydrogen Peroxide Robot" to further enhance disinfection of stations and trains.

As part of the community, we took part in helping those in need during these challenging times. To that end, we launched special relief measures, which included additional fare rebates to our passengers, and were among the first landlords to offer rental concessions to the tenants of our shopping malls and station shops. Earlier on, as the community was struggling with a shortage of masks, we sourced and donated 100,000 masks to those in need in Hong Kong.

Members of the Board and the senior management of the Company also showed their community spirit by forgoing a portion of their remuneration to fund donations to our community partners, namely, the Community Chest of Hong Kong, Food Angel, Gingko House Love Project, Heep Hong Society, Hong Kong Family Welfare Society and ImpactHK, in order to help those directly affected by COVID-19.

Our MTR volunteers gave their full support by volunteering in charitable events, including packaging and distribution of pandemic supplies to those in need through arrangements by the Hong Kong Council of Social Service and NGOs. As at 30 June this year, 46 volunteer projects had been organised under the "More Time Reaching Community" Scheme.

We also continued to offer community programmes, although the scale of some had to be adjusted due to the pandemic. One of the highlights is "Art in MTR", a robust programme that brings different kinds of art to liven up the train journey of customers. Through this programme, passengers were able to enjoy new permanent art works showcasing Hong Kong's history and community elements at Wan Chai Station as well as stations along the new Tuen Ma Line Phase 1 in the first half of 2020. I am particularly proud of the impressive artwork in Wan Chai Station, bringing the ballet performance stage together with lively local street scenes into the station in a beautifully choreographed sequence.

In recognition of our commitment of caring for the community, our staff and the environment, MTR received the "15 Years Plus Caring Company Logo" from the Hong Kong Council of Social Service.

The Community Chest granted the Diamond Award, the 4th Top Fund-raiser Award and the 3rd Highest Donation Award for CARE Scheme to the Corporation in appreciation of our support for their fund-raising events, including staff donations to the 2019/2020 Corporate and Employee Contribution Programme.

To ensure we are able to continue meeting our ESG objectives, we must maintain a very high standard of corporate governance. All of us on the MTR Board recognise that good corporate governance is essential for protecting our stakeholders, including our passengers, customers, tenants and investors. We also understand that we must continually improve our corporate governance practices as this is in the best interests of everyone connected with the Company.

OUTLOOK

The past six months have been one of the most unsettling periods in recent memory. As Hong Kong recovers from the impact of COVID-19, MTR, as a major public transportation service provider, looks forward to playing a leading role in helping our city build back better.

I would like to thank my fellow Board members for their sage advice and words of encouragement during the past six months. I would also like to thank Dr Allan Wong Chi-yan, who retired from the Board on 20 May 2020, Mr James Henry Lau Jr, who resigned and ceased to be a Non-executive Director with effect from 1 June 2020, and Ms Mable Chan, who ceased to be a Non-executive Director with effect from 1 August 2020. Their services to the Corporation are highly appreciated. Additionally, I would like to welcome Dr Bunny Chan Chung-bun, who has been appointed as an Independent Non-executive Director of the Company, effective from 20 May 2020, and Mr Christopher Hui Ching-yu, the newly appointed Secretary for Financial Services and the Treasury, who has been appointed as a Non-executive Director of the Company with effect from 1 June 2020.

In closing, I would like to express my fervent hope that all of us in Hong Kong can summon the courage to pull together and ride out the storm we currently face. It is only by doing so that we can create a brighter, more prosperous future for Hong Kong.

Rex Auyeung Pak-kuen
Chairman
Hong Kong, 6 August 2020

CEO'S REVIEW OF OPERATIONS AND OUTLOOK

Dear Shareholders and other Stakeholders,

It has now been just over a year since I took up the role of CEO of MTR. Back then, preparing my first interim report was a relatively straightforward exercise. Today, external circumstances have made the situation very different.

During the early months of 2020, we continued to feel the impact of the public order events of last year. Then, just as we were starting to recover from these events, the coronavirus pandemic struck, which affected all areas of our business not only in Hong Kong but across our entire global footprint.

In response to the COVID-19 outbreak, we immediately took steps to ensure our trains and stations were safe for our customers by implementing a comprehensive cleaning programme throughout our network that, among other measures, included the use of specialised sanitising robots to thoroughly cleanse MTR facilities. We also provided our staff with protective equipment such as face masks and encouraged our office staff to work from home.

To ease the financial burden on the public, we offered additional fare rebates to our passengers and rental concessions to most of our tenants at stations and MTR malls. We also donated masks to people in need. At the same time, the members of our Board and Executive Directorate volunteered to donate part of their remuneration to charitable groups in the community.

During the period under review, there were other challenges as well. On 12 May 2020, Government released the Final Report of the Commission of Inquiry ("COI") into the Construction Works at and near the Hung Hom Station Extension under the Shatin to Central Link project. Another report, concerning the Hung Hom derailment incident on 17 September 2019, was also released during the period. Both reports helped us to reflect on what we could have done better with regard to our project management and railway operations, and we have since implemented a number of measures to ensure incidents of a similar nature do not reoccur in future. Further details on the reports and our rectification actions are presented in the "Transport Operations" and "Shatin to Central Link" sections of this interim report.

Despite these challenges, we made several important achievements both in Hong Kong and internationally. Good progress continued to be made on the Shatin to Central Link project, including the opening of the Tuen Ma Line Phase 1 on 14 February 2020. Government's application for additional funding for the Shatin to Central Link project was also approved by the Finance Committee of the Legislative Council ("LegCo") on 12 June 2020. Furthermore, Hangzhou Metro Line 5 ("HZL5") achieved full line opening in April 2020.

Our service performance during the period was once again maintained at a world-class level with a 99.9% record of train service delivery and passenger journeys on-time. To continue improving our customer experience and operations, we enhanced our MTR Mobile and introduced smart asset management as part of our overall effort to incorporate the latest technology into our operations.

In our property business, we launched pre-sales of several property development projects and awarded LOHAS Park Package 12. The draft Outline Zoning Plans of the Tung Chung Traction Substation and Pak Shing Kok Ventilation Building were also gazetted in June 2020.

In our Hong Kong railway business, we were invited by Government to proceed with detailed planning and design of the Tung Chung Line Extension and Tuen Mun South Extension under the Railway Development Strategy 2014 ("RDS 2014") in April and May 2020 respectively.

Although patronage was affected significantly outside Hong Kong by COVID-19, we announced on 3 August 2020 that we had been awarded the tender for the Shenzhen Metro Line 13 ("SZL13") Public-Private-Partnership ("PPP") project for the investment in, construction of, and operations and maintenance of SZL13 for 30 years after completion. We will also continue to seek other growth opportunities beyond our core market.

Looking at our financial performance, recurrent business profit in the first six months of 2020 decreased by 83.8% to HK$433 million. Property development profit for the period increased from HK$775 million to HK$5,200 million. As a result, underlying business profit was 63.8% higher at HK$5,633 million. Including the revaluation loss on investment properties of HK$5,967 million, net loss attributable to shareholders of the Company was HK$334 million, compared to a net profit of HK$5,506 million in the same period in 2019. In response to this challenging situation, we have taken a number of cost control measures to reduce the financial damage, including a recruitment freeze and cutting of overhead expenditures. The impact of the COVID-19 outbreak on the Group is likely to continue for some time, but the precise timing and scale of the impact is difficult to predict and will depend on how the situation develops.

The Board of Directors of the Company is of the view that the overall financial position of the Group remains sound and has declared an interim dividend of HK$0.25 per share.

CORPORATE STRATEGY

Today, the operating environment for MTR is being driven by a confluence of factors that include changing demographics, the emergence of new technologies and disruptors such as the COVID-19 pandemic. Together, they are reshaping the future of cities and mobility.

MTR has a significant role to play as cities strive to tackle and master the "new normal". Our vision is to become an internationally-recognised leading company that connects and grows communities with caring, innovative and sustainable services. To that end, we are embarking on a re-examination of our strategic direction with the aim of strengthening our existing core competitive advantages, increasing agility and developing new capabilities. This timely and ongoing review will enable us to harness opportunities in the fast-changing environment and to deliver the best possible service to the cities in which we operate.

We also seek to attain the full potential of Hong Kong's core business while maintaining the growth of our Mainland of China and International Business with new products and hubs. Technology will play an instrumental role as both an enabler and a new growth engine, through investments in rail-tech and smart mobility services.

Part of this strategic review is to more fully and more explicitly integrate Environmental, Social and Governance ("ESG") objectives into our businesses and operations to create value for all our stakeholders, fulfilling our long term fiduciary duties.

Our ESG strategy will be guided by our commitment to put people and the communities we serve first. With our scale of operation, MTR is well positioned to play an impactful role in the sustainable growth of our communities. The upcoming ESG strategy and initiatives will also leverage our DNA as an environmentally-friendly people mover, as well as a provider of caring services to millions of customers around the world every day and as an employer of 50,000 people in Hong Kong and globally through our subsidiaries and affiliates. By focusing more on how we care for the environment and our communities, we will create new opportunities and be better positioned to respond to societal needs.

Successfully implementing this ESG strategy means embedding all of these ESG principles into MTR's businesses and designing new policies and processes that reflect our values.

Underlying all of these initiatives, there will be various measures to achieve a more entrenched financial accountability of each business unit. On a wider scale, we will also work to enhance our governance and streamline our processes. A Transformation Management Office has been set up with a dedicated management team to enable and deliver this strategic transformation.

HONG KONG BUSINESSES

On account of the novel coronavirus outbreak, our businesses in Hong Kong experienced substantially reduced revenue and incurred an operating loss in our Hong Kong transport operations during the first half of the year. Nevertheless, our overall financial position remains strong as a result of our proven "Rail plus Property" business model, which in addition to our railway network includes station commercial activities, property rental and property developments over and adjacent to our railway stations and depots.

TRANSPORT OPERATIONS

HIGHLIGHTS

- Maintained world-class 99.9% train service delivery and passenger journeys on-time
- Opening of Tuen Ma Line Phase 1 in February 2020
- Total patronage at 637.3 million, decreased by 37.7% from the same period last year mainly due to COVID-19

HK$ million	Six months ended 30 June 2020	2019	Inc./(Dec.) %
Hong Kong Transport Operations			
Total Revenue	**6,234**	10,690	(41.7)
Operating Profit before Depreciation, Amortisation and Variable Annual Payment ("EBITDA")	**106**	4,346	(97.6)
Operating (Loss)/Profit before Interest and Finance Charges and after Variable Annual Payment ("EBIT")	**(2,579)**	952	n/m
EBITDA Margin (in %)	**1.7%**	40.7%	(39.0)% pts.
EBIT Margin (in %)	**(41.4)%**	8.9%	n/m

n/m: not meaningful

During the first half of 2020, total revenue from Hong Kong transport operations amounted to HK$6,234 million, a decrease of 41.7% as compared with the corresponding period in 2019. Operating loss before interest and finance charges and after the variable annual payment was HK$2,579 million. Reductions from the same period last year were mainly due to the adverse impact of the COVID-19 outbreak with lower patronage and average fare.

Patronage and Revenue

	Patronage In million: Six months ended 30 June 2020	Patronage In million: Inc./(Dec.) %	Revenue HK$ million: Six months ended 30 June 2020	Revenue HK$ million: Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service	**553.6**	(33.3)	**4,657**	(31.1)
Cross-boundary Service	**7.4**	(87.2)	**514**	(70.0)
High Speed Rail ("HSR")	**1.1**	(89.4)	**658**	(41.6)
Airport Express	**2.1**	(77.0)	**107**	(81.4)
Light Rail and Bus	**73.0**	(36.2)	**243**	(34.3)
Intercity	**0.1**	(91.7)	**21**	(77.9)
	637.3	(37.7)	**6,200**	(41.7)
Others			**34**	(34.6)
Total			**6,234**	(41.7)

In the first six months of 2020, patronage was heavily affected by COVID-19 owing to fewer passengers travelling on our network because of social distancing measures, including work-from-home arrangements and school closures. This resulted in a 33.3% decline in our Domestic Service patronage to 553.6 million. The impact of the pandemic led to the closure of several boundary crossings between Hong Kong and the Mainland (including the crossings at our Lo Wu, Lok Ma Chau and Hong Kong West Kowloon stations, as well as the Intercity Through Train control point at Hung Hom Station), resulting in a significant decrease in patronage of Cross-boundary Service and HSR. Similarly, patronage of the Airport Express recorded a 77.0% drop due to the decline in air travellers during the period.

For the period from 1 January to 30 June 2020, total patronage of all of our rail and bus passenger services in Hong Kong decreased by 37.7% to 637.3 million, as compared to the same period in 2019. Average weekday patronage decreased by 36.1% to 3.79 million.

In response to the possible "new normal" that the COVID-19 outbreak has imposed, we have been investigating ways of stimulating ridership or adjusting train service delivery to accommodate fluctuations in demand. These include developing products that encourage travel during non-peak hours, reviewing fares and ticket promotions, and leveraging our mobile app to encourage more usage. With the drastic fall in overseas tourism, we are determining the optimal level of service for the Airport Express and looking at promotions when more air travel becomes possible. We also see opportunities to promote internal leisure travel within Hong Kong via MTR.

Market Share

The Company's overall share of the franchised public transport market in Hong Kong in the first five months of 2020 was 44.6%, as compared with 48.8% in the same period of 2019. The decrease was due mainly to the significant reduction in Cross-boundary Service and Airport Express patronage, following the COVID-19 pandemic outbreak in late January this year, with closures of several boundary crossings between Hong Kong and the Mainland as well as the reduction in air travellers. Within this total, the share of cross-harbour traffic was 65.1%, as compared with 68.2% during the same period last year. For MTR's Cross-boundary Service and HSR, our share of the cross-boundary business for the first five months of 2020 fell from 51.5% to 48.8%. Our market share to and from the airport fell from 21.8% to 16.3%.

Fare Adjustments, Promotions and Concessions

The overall adjustment rate of MTR fares for 2019/2020, in accordance with the Fare Adjustment Mechanism ("FAM"), was +3.3%. We offered a 3.3% rebate for all Octopus users on every paid journey they take on the MTR, Light Rail and MTR Bus from 30 June 2019 up to 4 April 2020, which was then further extended and translates into no actual MTR fare increase for these Octopus users.

For 2020/2021, the fare adjustment rate is +2.55% according to the FAM. In view of the Affordability Cap, there is no fare increase for 2020, and the fare adjustment rate of +2.55% for 2020/2021 will be recouped over the subsequent two years, with +1.28% to be recouped in 2021/2022 and +1.27% to be recouped in 2022/2023. At the same time, a series of promotions was implemented:

- The committed "3% Rebate for Every Octopus Trip" is enhanced to "3.3% Rebate for Every Octopus Trip" from the end of June 2020 until 1 January 2021. Under this arrangement, the actual Octopus fares paid by passengers will have remained unchanged for two consecutive years since January 2019.
- No price adjustment will be made on MTR City Saver and Tuen Mun-Nam Cheong Day Pass until 1 January 2021. The new prices will take effect from 2 January 2021.
- No price adjustment will be made for Monthly Pass Extras until December 2020. The new prices will take effect from January 2021.
- The Early Bird Discount Promotion was extended for one year from 1 June 2020 to 31 May 2021.

Under these promotions, passengers are expected to save more than HK$700 million in 2020/2021. We also continue to offer over HK$2.6 billion every year in on-going fare concessions to customers from different walks of life, including the elderly, children, eligible students as well as persons with disabilities.

Operations Performance in the first half of 2020

Service Performance Item	Performance Requirement	Customer Service Pledge Target	**Actual Performance**
Train service delivery			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.5%	99.5%	**99.7%**
– West Rail Line	98.5%	99.5%	**99.9%**
– Light Rail	98.5%	99.5%	**99.9%**
Passenger journeys on-time			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line and Disneyland Resort Line	98.5%	99.5%	**99.9%**
– Airport Express	98.5%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.5%	99.0%	**99.9%**
– West Rail Line	98.5%	99.0%	**99.9%**
Train punctuality			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line,Tung Chung Line and Disneyland Resort Line	98.0%	99.0%	**99.9%**
– Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.0%	99.0%	**99.9%**
– West Rail Line	98.0%	99.0%	**99.9%**
– Light Rail	98.0%	99.0%	**99.9%**
Train reliability: train car-km per train failure causing delays ≥ 5 minutes			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	N/A	700,000	**7,552,621**
– East Rail Line (including Tuen Ma Line Phase 1) and West Rail Line	N/A	700,000	**9,560,898**
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 (including Tuen Ma Line Phase 1) and West Rail Line	N/A	10,500	**35,484**
Add value machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.8%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.0%	99.0%	**99.9%**
– West Rail Line	98.0%	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	97.0%	99.0%	**99.8%**
– East Rail Line (including Tuen Ma Line Phase 1)	97.0%	99.0%	**99.9%**
– West Rail Line	97.0%	99.0%	**99.9%**
– Light Rail^	N/A	N/A	**N/A**
Ticket gate reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	97.0%	99.0%	**99.9%**
– West Rail Line	97.0%	99.0%	**99.9%**
Light Rail platform Octopus processor reliability*	N/A	N/A	**N/A**
Escalator reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.0%	99.0%	**99.8%**
– West Rail Line	98.0%	99.0%	**99.9%**
Passenger lift reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.8%**
– East Rail Line (including Tuen Ma Line Phase 1)	98.5%	99.5%	**99.9%**
– West Rail Line	98.5%	99.5%	**99.9%**
Temperature and ventilation			
– Trains, except Light Rail: to maintain a cool, pleasant and comfortable train environment generally at or below 26 °C	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 27 °C for platforms and 29 °C for station concourses, except on very hot days	N/A	93.0%	**99.8%**
Cleanliness			
– Train compartment: cleaned daily	N/A	99.0%	**100.0%**
– Train exterior: washed every two days (on average)	N/A	99.0%	**100.0%**
Northwest transit service area bus service			
– Service Delivery	N/A	99.0%	**99.7%**
– Cleanliness: washed daily	N/A	99.0%	**100.0%**
Passenger enquiry response time within six working days	N/A	99.0%	**100.0%**

^ *Repair works on damaged Light Rail Ticket Machines are underway. Performance data will be available after completion of repair and testing works.*

* *Light Rail Platform Octopus Processor replacement works and testing are underway. Performance data will be available after completion of installation, testing and trial operations of the new processors.*

On 8 April 2020, we announced new relief measures amid COVID-19 pandemic. The relief measures include:

- 20% Rebate for Every Octopus Trip from 1 July 2020 to 1 January 2021, an enhancement over the 3.3% Rebate for Every Octopus Trip.
- A HK$100 discount was offered on MTR City Saver from 1 July 2020 until 1 January 2021.
- A HK$100 discount was offered for Monthly Pass Extras from July to December 2020.

The total revenue forgone for these relief measures will amount to about HK$1.6 billion. The Government will bear half of the total actual revenue forgone with a cap of HK$0.8 billion, while MTR Corporation will shoulder the remainder. This COVID-19 relief package is a special one-off, six-month relief measure outside of the existing FAM.

Service Performance

Although the coronavirus outbreak presented challenges from an operational perspective, we were nevertheless able to maintain a high level of service performance throughout the first six months of the year. Train service delivery and passenger journeys on-time in our heavy rail network were kept to a world-class level of 99.9%, exceeding the targets set in the Operating Agreement for MTR as well as our own more rigorous Customer Service Pledges. Train service delivery is a measure of the actual train trips run against the train trips scheduled to be run by the Company, and passenger journeys on-time is a measure of all passenger journeys that are completed within five minutes of their scheduled journey times.

During the period, we ran more than 900,000 train trips on our heavy rail network and more than 500,000 trips on our light rail network. On heavy rail, there were five delays lasting 31 minutes or more attributable to factors within MTR's control, which was two more than that in the same period last year. We investigated the cases carefully and where appropriate implemented suitable measures to prevent future reoccurrences. No such delays were recorded for Light Rail during the period, which maintained its record from the same period last year.

The results of the investigation into the train derailment near Hung Hom Station in September 2019 were made public on 3 March 2020. The report concluded that the incident was caused by dynamic track gauge widening at a turnout near Hung Hom Station. The Company has accepted the recommendations made by the investigation panel and is taking action to prevent incidents of a similar nature in future.

Enhancing the Customer Experience

For the comfort and convenience of passengers, we have been implementing major upgrades and replacements to our existing rail network.

Greater Comfort for Passengers

For Heavy Rail, we have ordered 93 new trains, of which nine had been delivered by the end of June 2020 and are currently in the process of being tested and commissioned.

For Light Rail, we have also ordered a total of 40 new light rail vehicles. As at 30 June 2020, four new light rail vehicles had been delivered and two had been tested and commissioned in preparation for passenger service later in the year.

In order to provide a more comfortable environment for passengers and our staff, we have been replacing more than half of the chillers in our stations and depots. Up to June 2020, we had completed three out of five replacement phases, with 92 chillers replaced in total. Target completion for the remaining two phases is in 2023.

In order to increase the overall capacity of our services, we are in the process of upgrading our signalling system. The signalling upgrade for Tsuen Wan Line will now take approximately three years for completion (around 2023). During the period, work was under way on the replacement of the signalling systems for the Tsuen Wan, Island, Kwun Tong, Tseung Kwan O, Tung Chung and Disneyland Resort lines, as well as the Airport Express. More than 80% of the hardware installation work had been completed for the Kwun Tong Line as at 30 June 2020. Enabling works also began on the Tseung Kwan O Line during the period.

We will continue to address the challenge of peak hour demand, although this is a situation that will only be partly alleviated on the existing cross-harbour section of Tsuen Wan Line after the completion of the new cross-harbour rail line of the Shatin to Central Link.

Enhancing Station Facilities

In addition to carrying out major asset upgrades, we continued to make other customer experience enhancements during the first half of 2020. These included additions or improvements to station facilities such as public toilets, babycare rooms, drinking water dispensers, platform seats and mobile charging spots.

As part of our commitment to provide public toilets at all interchange stations, we opened public toilets and babycare rooms at the three new stations on the Tuen Ma Line Phase 1 in February 2020, as well as in Yau Ma Tei Station in June 2020.

Drinking water dispensers were also added at Tung Chung, Tsuen Wan, Prince Edward and Tiu Keng Leng stations, with the objective of improving passengers' travel experience while also encouraging the use of refillable bottles. As the response from customers has been very positive, we will install drinking water dispensers at a total of 18 stations across the MTR network by 2022.

We also continued to install mobile charging outlets so that our customers can stay charged and in touch throughout their journeys. In addition to the mobile charging outlets already installed in 13 stations, we installed USB charging sockets and wireless charging facilities in another 16 stations across our network. As a result, these outlets are now available at all interchange stations for customers. We are also extending our provision of free WiFi services from station hotspots to all station areas including concourses and platforms.

Focus on Technology

As the world becomes increasingly interconnected through technology, we are focusing on the development of new digital initiatives in line with our strategy to become a tech-enabled company.

Among our customer tech initiatives, we have been building up the capabilities of our mobile apps in order to provide a seamless digital experience for our customers and develop full Mobility-as-a-Service functionality. In the first half of 2020, we upgraded our all-in-one MTR Mobile with a new loyalty programme that enables customers to earn "MTR points" when using our railway and bus services and shopping in our station shops and shopping malls. We also enhanced our "Macy" chatbot service and introduced a section on MTR Mobile for providing the latest news on our transportation services and shopping malls, as well as other lifestyle information. In addition to providing a new in-app purchase functionality for "Monthly Pass Extra" in June, we made preparations to launch smart ticketing with a QR code mobile payment option. The MTR Mobile had more than 1 million active users in June 2020.

Smart asset management is another technology we have been adopting to help us improve the reliability of our railway services. To that end, we have begun installing sensors on new equipment and set up a data studio to perform maintenance analysis using Artificial Intelligence, the Internet of Things and cloud computing, with the objective of identifying potential failures and taking action before they occur. On 3 April 2020, we signed a Memorandum of Understanding with the Hong Kong Applied Science and Technology Research Institute (ASTRI) to establish a railway innovation laboratory for developing innovative solutions for smart railway development in Hong Kong.

Five robots will join the station operations team and are targeted to begin service at Kai Tak Station starting from the third quarter of 2020. These five robots will answer passenger enquiries on journey planning, check the status of our station facilities and clean stations after they close. Our maintenance team is also using an "Underframe Inspection Robot" in our Pat Heung Depot that will inform our maintenance team if any abnormalities are found.

In addition to these initiatives, we are looking at opportunities to make our projects and community planning smarter by harnessing a variety of technologies that will take MTR to the next level.

STATION COMMERCIAL BUSINESSES

HIGHLIGHTS

- Increase in number of station shops and advertising units due to the opening of Tuen Ma Line Phase 1
- By June 2020, 5G services were launched by some telecom operators at ten stations
- Closure of boundary crossings between Hong Kong and Mainland of China, resulting in the closure of Duty Free shops in our stations

HK$ million	Six months ended 30 June 2020	2019	Inc./(Dec.) %
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	**1,183**	2,507	(52.8)
Advertising Revenue	**213**	606	(64.9)
Telecommunication Income	**365**	376	(2.9)
Other Station Commercial Income	**48**	66	(27.3)
Total Revenue	**1,809**	3,555	(49.1)
EBITDA	**1,549**	3,227	(52.0)
EBIT	**1,334**	2,679	(50.2)
EBITDA Margin (in %)	**85.6%**	90.8%	(5.2)% pts.
EBIT Margin (in %)	**73.7%**	75.4%	(1.7)% pts.

During the first half of the year, total revenue from all Hong Kong station commercial activities decreased by 49.1% to HK$1,809 million, mainly due to rental concessions granted to Duty Free Shops resulting from boundary closure and also concessions to shops as a result of the COVID-19 outbreak.

Rental revenue from station shops was HK$1,183 million during the period, a decline of 52.8%, mainly as a result of rental concessions granted to shops due to the closure of border stations and rental concessions granted to tenants during the COVID-19 outbreak. The total number of retail shops in our stations as of 30 June 2020 was 1,523, covering 67,195 square metres of station retail area. The increase in the number of station shops compared with the end of 2019 was mainly due to the opening of the Tuen Ma Line Phase 1. Rental reversion and the average occupancy rate in the first half of 2020 in our station kiosks were -5.4% and 98.7% respectively.

To provide relief measures for our small to medium tenants during the pandemic, we offered a half-month reduction of their rents from February to April. The amount of rental concessions for large corporations was determined on a case-by-case basis in this period. Concessions was continued to be offered in May and June to all tenants.

Revenue from advertising decreased by 64.9% to HK$213 million in the first half of the year, mainly due to lower advertising spending as a result of the drop in retail sales and tourist arrivals. As at 30 June 2020, the total number of advertising units in stations and trains was 49,502, including new advertising panels launched along the Tuen Ma Line Phase 1.

Looking at the impact of COVID-19 in our station retail business, we are considering more flexible leasing terms and enhancing the telecom infrastructure to support tenants' new offline/online retail models. In our advertising business, we have been digitalising our advertising panels and back-end system to allow for more flexible, dynamic and visually attractive media campaigns.

Revenue from our telecommunications business in the first half of 2020 decreased by 2.9% to HK$365 million. Our project to install a new commercial telecom system at 31 of our stations to create more capacity made progress during the first six months of 2020, with 22 stations completed by June. By June 2020, 5G services were launched by certain telecom operators at ten stations.

PROPERTY AND OTHER BUSINESSES

HIGHLIGHTS

- Awarded LOHAS Park Package 12 in February 2020
- Acquired the remaining interests in Telford Plaza II and PopCorn 2
- Booking of property development profit from LOHAS Park Package 6

Property Rental and Management

HK$ million	Six months ended 30 June 2020	2019	Inc./(Dec.) %
Hong Kong Property Rental and Property Management Businesses			
Revenue from Property Rental	**2,469**	2,492	(0.9)
Revenue from Property Management	**113**	143	(21.0)
Total Revenue	**2,582**	2,635	(2.0)
EBITDA	**2,203**	2,240	(1.7)
EBIT	**2,193**	2,229	(1.6)
EBITDA Margin (in %)	**85.3%**	85.0%	0.3% pt.
EBIT Margin (in %)	**84.9%**	84.6%	0.3% pt.

Property rental revenue decreased by 0.9% to HK$2,469 million in the first six months of 2020, mainly due to rental concessions granted to tenants as a result of the COVID-19 outbreak. These rental concessions granted will be amortised to the profit and loss account over the remaining lease terms of respective tenants, of which only a small portion had been charged to the profit and loss account for the six months ended 30 June 2020. The Corporation acquired the remaining interests in Telford Plaza II and PopCorn 2 shopping malls. Rental income from these new acquisitions has helped reduce the impact on revenue by COVID-19. Our shopping malls in Hong Kong recorded a negative rental reversion of 17.6% during the first six months of 2020. In the first half of 2020, our shopping malls in Hong Kong and the Company's 18 floors in Two International Finance Centre were 99.2% and 99.8% let respectively on average.

Property Development Packages Completed during the period and Awarded

Location	Developers	Type	Gross floor area (sq. m.)	Tender award date	Expected completion date
Ho Man Tin Station					
Package 1	Goldin Properties Holdings Limited	Residential	69,000	December 2016	2022
Package 2	Chinachem Group	Residential	59,400	October 2018	2024
LOHAS Park Station					
LP6	Nan Fung Group Holdings Limited	Residential	136,970	January 2015	2020
MONTARA and GRAND MONTARA	Wheelock and Company Limited	Residential Retail Kindergarten	70,260 44,500 1,160	June 2015	By phases from 2019 – 2021
SEA TO SKY	CK Asset Holdings Limited	Residential	97,000	October 2015	2021
MARINI, GRAND MARINI and OCEAN MARINI	Wheelock and Company Limited	Residential Kindergarten	104,110 810	December 2015	By phases in 2021
Package 10	Nan Fung Group Holdings Limited	Residential	75,400	March 2016	2022
Package 11	Sino Land Company Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	88,858	April 2019	2025
Package 12	Wheelock and Company Limited	Residential	89,290	February 2020	2026
Tai Wai Station					
Tai Wai	New World Development Company Limited	Residential Retail	190,480 60,620*	October 2014	2022
Tin Wing Stop					
Tin Wing	Sun Hung Kai Properties Limited	Residential Retail	91,051 205	February 2015	2024
Wong Chuk Hang Station					
Package 1	Road King Infrastructure Limited and Ping An Real Estate Company Limited	Residential	53,600	February 2017	2022
Package 2	Kerry Properties Limited and Sino Land Company Limited	Residential	45,800	December 2017	2023
Package 3	CK Asset Holdings Limited	Residential Retail	92,900 47,000	August 2018	2024
Package 4	Kerry Properties Limited, Swire Properties Limited and Sino Land Company Limited	Residential	59,300	October 2019	2025
Yau Tong Ventilation Building					
Yau Tong Ventilation Building	Sino Land Company Limited and CSI Properties Limited	Residential	30,225	May 2018	2025
Kam Sheung Road Station#					
Package 1	Sino Land Company Limited, China Overseas Land & Investment Limited and K. Wah International Holdings Limited	Residential	114,896	May 2017	2025
Yuen Long Station#					
Yuen Long	Sun Hung Kai Properties Limited	Residential Retail	126,455 11,535^	August 2015	2022

\# *as a development agent for the relevant subsidiaries of KCRC*

* *excluding a bicycle park with cycle track*

^ *including a 24-hour pedestrian walkway and a covered landscape plaza*

Property Development Packages to be Awarded Notes 1 and 2

Location	Type	Gross floor area (sq. m.)	Period of package tenders	Expected completion date
LOHAS Park Station	Residential	About 140,000	2020	2026
Wong Chuk Hang Station	Residential	105,900	2021	2025 – 2026

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 planning approval, land grant conditions and completion of statutory processes.*

During the pandemic, we granted rental concessions to our tenants in recognition of the long-term relationships we have developed with them, with priority given to small to medium tenants. For the period from February to April 2020, we offered a half-month rental reduction to our small to medium tenants and supported large corporate tenants with rental reductions on a case-by-case basis. From May 2020 onwards, the relief measures continued based on the impact on different trade categories and this arrangement is reviewed on a monthly basis.

Overall, the pandemic has less long-term impact on many of our mall tenants offering daily necessities and services. Food and beverage outlets were affected as consumers chose food delivery services and take-aways rather than dining in. To increase mall traffic, we are collaborating with e-commerce and online merchants who are planning to open pop-up stores across our portfolio. We are also exploring the possibility of adding more entertainment and sports facilities in our malls.

With the acquisition of the remaining interests in Telford Plaza II and PopCorn 2 from New World Development Company and Chow Tai Fook Enterprises Limited in March 2020, we now hold the entire economic interests of these two shopping centres.

As at 30 June 2020, our attributable share of investment properties in Hong Kong was 230,263 square metres of lettable floor area of retail properties, 39,410 square metres of lettable floor area of office space and 17,764 square metres of property for other use.

At Telford Plaza II, repartitioning work on the former Piago space on the fourth and fifth floors was completed, and the shops opened progressively from May 2020 onwards.

Our property management revenue in Hong Kong decreased by 21.0% to HK$113 million in the first six months of 2020. As at 30 June 2020, MTR managed more than 104,000 residential units and more than 772,000 square metres of office and commercial space in Hong Kong.

Property Development

Hong Kong property development profit was HK$5,171 million, which was mainly derived from the surplus proceeds from LOHAS Park Package 6 and sales of inventory units.

During the period, pre-sales activities continued for the property development projects in LOHAS Park. As at 30 June 2020, about 94% of units of MARINI (LOHAS Park Package 9A), about 92% of units of GRAND MARINI (LOHAS Park Package 9B), about 88% of units of OCEAN MARINI (LOHAS Park Package 9C) and about 98% of the units of LP6 (LOHAS Park Package 6) had been sold. Pre-sale of SEA TO SKY (LOHAS Park Package 8) was launched in June 2020, with about 32% of the units sold.

In February 2020, LOHAS Park Package 12 was awarded to a subsidiary of Wheelock and Company Limited.

For the West Rail property development projects where we act as agent for the relevant subsidiaries of Kowloon-Canton Railway Corporation ("KCRC"), sales continued for Cullinan West III (Nam Cheong Station) and Sol City (Long Ping Station (South)).

Other Businesses

Revenue from Ngong Ping 360 decreased by 85.3% in the first six months of 2020 to HK$36 million, reflecting a drop in visitor numbers of 85.2% to about 130,000.

Our share of profit from Octopus Holdings Limited in the first six months of 2020 decreased by 15.0% to HK$102 million, mainly due to lower transport transaction volume and lower sales of consumer products. As at 30 June 2020, more than 23,000 service providers in Hong Kong accepted Octopus payments. Total cards and other stored-value Octopus products in circulation were 34.4 million, while average daily transaction volumes and value were 11.3 million and HK$185.6 million respectively.

GROWING OUR HONG KONG BUSINESSES

HIGHLIGHTS

- Shatin to Central Link: 99.95% of the Tai Wai to Hung Hom Section and 86.9% of the Hung Hom to Admiralty Section complete by end of June 2020
- Invitation received from Government to proceed with detailed planning and design of the Tung Chung Line Extension and Tuen Mun South Extension. The latter is an extension of Tuen Ma Line

Our key areas of growth in Hong Kong are the development of new railway lines in our home market as well as the expansion of our property portfolio. In addition to the Shatin to Central Link, which remains under construction, the seven new railway projects under RDS 2014 have the potential to increase Hong Kong's railway network by a further 35 km.

Shatin to Central Link

By 30 June 2020, we had completed 99.95% of the Tai Wai to Hung Hom Section and 86.9% of the Hung Hom to Admiralty Section of the Shatin to Central Link, a project managed by MTR on behalf of Government. When the entire 17-km Shatin to Central Link goes into operation, it will provide greater connectivity and substantially reduce travelling times across Hong Kong.

On 14 February 2020, we opened the first part of the Tai Wai to Hung Hom section, now called Tuen Ma Line Phase 1, allowing passengers on the Ma On Shan Line to travel directly to Kai Tak Station in East Kowloon district via Hin Keng Station and Diamond Hill Station. The opening of this line has been greatly welcomed by the community in the area. Average daily usage of the three stations since their opening totalled approximately 119,000 passengers up to the end of June 2020.

The full line opening of the Tuen Ma Line, where the Tuen Ma Line Phase 1 will connect to the West Rail Line via Sung Wong Toi, To Kwa Wan, Ho Man Tin and Hung Hom stations, is anticipated to be in the third quarter of 2021. As for the Hung Hom to Admiralty Section (East Rail Line extending to Admiralty Station), the targeted completion in the first quarter of 2022 is still facing challenges and there are continuing efforts being made to meet the programme.

We are also planning to commission a new signalling system for the Shatin to Central Link and will launch new 9-car trains in preparation for the extension of the East Rail Line across Victoria Harbour to Admiralty Station. The new signalling system will improve train headway on the railway service, and the new 9-car trains will provide a more spacious and comfortable travelling environment for passengers.

On 12 May 2020, the Government released the Final Report of the COI on construction works at and near the Hung Hom Station Extension under the Shatin to Central Link. The report concluded that the relevant structures at and near the Hung Hom Station Extension are safe and fit for purpose with the completion of suitable measures. Works for the suitable measures were completed in mid-2020, and service reinstatement in Hung Hom Station has commenced.

The Company notes that in the Final Report, COI has identified a number of inadequacies in respect of the construction process (including failures in respect thereof, such as poor workmanship incidents 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 on the Company's project management practices. Based on COI's interim report and the recommendations of the review carried out by the Capital Works Committee of the Board aided by an external consultant Turner & Townsend ("T&T") in 2018, the Company has been updating and improving a number of its project management practices over the past two years. Many of these have already been incorporated into the Company's standard practices. Out of the 38 practices recommended by T&T, 31 recommendations have been implemented, and implementation of the remaining 7 recommendations was underway. The Company noted the comments and recommendations made by the COI in the Final Report. These will be incorporated into our ongoing efforts to improve our project management and quality assurance systems for the delivery of future railway projects that will serve the people of Hong Kong.

In the meantime, we are continuing our discussions with the contractor about fulfilling their contractual responsibilities, and will be considering our legal position.

The Company carried out a further review and revalidation of the Shatin to Central Link Cost to Complete which was submitted to Government on 10 February 2020. The Company's submission included an additional amount of project management cost for the Company. However, Government advised the Company that Government considers there has been no material modification in respect of the Shatin to Central Link project and, therefore, Government disagrees to the inclusion of any additional project management cost in the Cost to Complete. The additional funding sought by Government and subsequently approved by the Legislative Council on 12 June 2020 did not include any additional amount of project management cost for the Company. The Board is of the view that the Company's entitlement to any additional project management cost should be resolved with Government in accordance with the terms of the relevant entrustment agreement between the Company and Government. The Company will, in the interim, continue to comply with its obligations under the agreement and meet the costs thereof, to allow the Shatin to Central Link project to progress in accordance with the latest programme. The Company continues to exercise rigorous cost control with the objective of ensuring that construction costs are contained as far as possible.

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, 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 Company will continue to reassess the position on an ongoing basis.

Other New Railway Projects

The RDS 2014 was introduced as a framework for the future expansion of Hong Kong's railway network up to the year 2031. Under this strategy, seven rail projects were recommended by Government. As announced in the Chief Executive's 2019 Policy Address, Government intends to commence detailed planning and design for three of these projects: the Tung Chung Line Extension, Tuen Mun South Extension and Northern Link (and Kwu Tung Station).

We welcomed Government's decision to invite us to proceed with the detailed planning and design of the Tung Chung Line Extension in April 2020 and Tuen Mun South Extension in May 2020. Government has also announced that these two projects will be progressed using the ownership model. The design consultancy of the Tung Chung Line Extension was awarded in June 2020, marking an important step forward on this project.

In addition, we look forward to participating in detailed planning and design for the Northern Link (including Kwu Tung Station). A proposal for an alternative underground scheme for this project was submitted to Government in May 2020.

Project proposals for the East Kowloon Line and North Island Line were also submitted. As both projects will encounter technical challenges in the alignment and surrounding interfaces, we have been working closely with Government to address their comments and are preparing supplementary information for Government as requested.

For another project, Hung Shui Kiu Station, we submitted a proposal to Government in May 2020, whereas for South Island Line (West), we are undertaking a technical study in preparation for project proposal submission by the end of 2020.

Expanding the Property Portfolio

Investment Properties

In the next few years, we will open new malls that will add around 46% to the attributable GFA of our existing retail portfolio as at 30 June 2020, bringing the total up by 152,120 square metres.

As at 30 June 2020, the construction of our new shopping mall, The LOHAS, was 90% completed, and Phase 1 of the mall will open in the near future. Our shopping centres in Tai Wai and Wong Chuk Hang are expected to open in 2023.

Residential Property Development

As at 30 June 2020, the 15 new residential property projects under development will provide about 20,000 new residential units over the next seven years.

For the Siu Ho Wan Depot site, we began detailed technical studies and continued our discussions with Government on developing 14,000 public and private housing units, community facilities and a 30,000 square metre shopping mall. There is still no assurance at this early stage whether or not it will be commercially viable.

During the period, we continued to look for other opportunities to develop property along our existing railway lines and new railway projects. To that end, we submitted and obtained agreement for the rezoning proposals for our existing Tung Chung Traction Substation in Tung Chung and Pak Shing Kok Ventilation Building in Tseung Kwan O from the Town Planning Board in May 2020. The draft Outline Zoning Plans of these two sites were gazetted in June 2020. We are also exploring sites with development potential along the Tung Chung Line Extension.

MAINLAND OF CHINA AND INTERNATIONAL BUSINESSES

HIGHLIGHTS

- Full line opening of HZL5 in April 2020
- Awarded the tender of SZL13 PPP project
- Signed joint venture agreement for exploration and development of station commercial and related businesses in Chengdu

Beyond our core market of Hong Kong, we have been building a growing portfolio of railway-related businesses in the Mainland of China, Macao, Europe and Australia. These businesses carried a total of about 603 million passengers and an average of about 4.0 million passengers per weekday during the first half of 2020.

During the first six months of the year, our international railway businesses, as well as those in the Mainland of China and Macao, were affected by the coronavirus outbreak. Patronage was down in all markets, although the financial impact on MTR varied depending on the business model in different business contracts.

	Mainland of China and International Businesses								
	Mainland of China and Macao Railway, Property Rental and Property Management Businesses			International Railway Businesses			Total		
Six months ended 30 June HK$ million	**2020**	2019	Inc./(Dec.) %	**2020**	2019	Inc./(Dec.) %	**2020**	2019	Inc./(Dec.) %
Recurrent Businesses									
Subsidiaries									
Revenue	**753**	873	(13.7)	**9,712**	9,685	0.3	**10,465**	10,558	(0.9)
EBITDA	**119**	289	(58.8)	**190**	383	(50.4)	**309**	672	(54.0)
EBIT	**113**	282	(59.9)	**69**	278	(75.2)	**182**	560	(67.5)
EBIT (Net of Non-controlling Interests)	**113**	282	(59.9)	**46**	180	(74.4)	**159**	462	(65.6)
EBITDA Margin (in %)	**15.8%**	33.1%	(17.3)% pts.	**2.0%**	4.0%	(2.0)% pts.	**3.0%**	6.4%	(3.4)% pts.
EBIT Margin (in %)	**15.0%**	32.3%	(17.3)% pts.	**0.7%**	2.9%	(2.2)% pts.	**1.7%**	5.3%	(3.6)% pts.
Recurrent Business Profit/(Loss)	**92**	**258**	**(64.3)**	**(12)**	**82**	**n/m**	**80**	**340**	**(76.5)**
Associates and Joint Venture									
Share of EBIT	**288**	522	(44.8)	**28**	(450)	n/m	**316**	72	338.9
Share of Profit/(Loss)	**88**	**257**	**(65.8)**	**27**	**(451)**	**n/m**	**115**	**(194)**	**n/m**
EBIT of Subsidiaries (Net of Non-controlling Interests) and Share of EBIT of Associates and Joint Venture	**401**	804	(50.1)	**74**	(270)	n/m	**475**	534	(11.0)
Profit Attributable to Shareholders of the Company									
– Arising from Recurrent Businesses (before Business Development Expenses)							**195**	**146**	**33.6**
– Business Development Expenses							**(53)**	(142)	(62.7)
– Arising from Recurrent Businesses (after Business Development Expenses)							**142**	**4**	**n/m**
– Arising from Mainland of China Property Development							**29**	25	16.0
– Total							**171**	**29**	**489.7**

n/m: not meaningful

In the Mainland of China and Macao, recurrent business profit from our railway, property rental and property management subsidiaries decreased by 64.3% to HK$92 million, mainly due to the negative impact of COVID-19 on fare revenue of Shenzhen Metro Line 4 ("SZL4") and the granting of rental concessions to our shopping mall tenants.

In our International businesses, recurrent business loss from our railway subsidiaries for the period was HK$12 million compared to a recurrent business profit of HK$82 million in the first half of 2019. This was mainly due to lower farebox revenue from Metro Trains Melbourne Pty. Ltd. because of the COVID-19 outbreak and an initial operating loss by our Operations and Maintenance ("O&M") business at Sydney Metro North West, which was partially offset by the improvement of Stockholms pendeltåg with better operating performances.

Our share of results from our associates and joint venture increased from a loss of HK$194 million to a profit of HK$115 million, mainly due to the one-off onerous contract provision made in 2019 for First MTR South Western Trains Limited of HK$436 million, partially offset by the negative impact of COVID-19 on our Hangzhou and Beijing operations.

As a result, excluding Mainland of China property development, our railway, property rental and management subsidiaries (after business development expenses), together with our associates and joint venture outside of Hong Kong, contributed a net after-tax profit of HK$142 million in the first half of 2020 on an attributable basis, whilst in the first half of 2019 was HK$4 million (or HK$440 million if the onerous contract provision made for First MTR South Western Trains Limited was excluded).

Railway Businesses in the Mainland of China

Beijing

In Beijing, our associate operates Beijing Metro Line 4 ("BJL4"), the Daxing Line, the first three phases of Beijing Metro Line 14 ("BJL14") and the Northern Section of Beijing Metro Line 16 ("BJL16"). The average on-time performance of these four lines in the first half of 2020 was 99.9%.

Both BJL4 and the Daxing Line recorded drop in patronage as a result of the pandemic, with total ridership of about 81.0 million passenger trips and average weekday patronage of 522,000.

The first three phases of BJL14 recorded a combined passenger trips of about 52 million and average weekday patronage of 348,000 in the period.

Construction of the full BJL14 and BJL16 lines made slower progress during the first six months of 2020, and the tentative full opening date for these lines is scheduled for the end of 2021 at the earliest.

Beijing Metro Line 17 will be opened in phases, and the first phase opening of the line is targeted for the end of 2021. Our associate will lease the rolling stock over a 20-year period, with lease payments to be made in instalments after the opening of each phase.

Shenzhen

SZL4, operated by our wholly-owned subsidiary, also recorded a decline in patronage in the first half of 2020 due to COVID-19. Patronage declined by 46% to 63 million passengers, average weekday patronage dropped to 386,000, and on-time performance remained at 99.9%.

There has been no increase in fares at SZL4 since we began operating the line in 2010. In July 2020, Shenzhen Municipal Government publicised a fare adjustment framework for the Shenzhen Metro network that will take effect on 1 January 2021 for five years. The framework sets out the mechanism of fare setting and the procedures of fare adjustment. If a suitable fare increase and adjustment mechanism are not implemented soon, the long-term financial viability of this line will be impacted.

In the first half of the year, negotiations regarding the operation arrangement of the SZL4 North Extension continued in preparation for the opening of the extended section at the end of 2020. Testing and commissioning of new trains was underway.

Hangzhou

Through our associate in Hangzhou, we operate Hangzhou Metro Line 1 and the Hangzhou Metro Line 1 Extension. Patronage on these lines was affected by the pandemic during the period, dropping by 43.2% to 82 million, with an average weekday patronage of 486,000. On-time train performance continued at 99.9%.

A highlight of the period was the full line opening of the 56.2-km HZL5 in April 2020. The latter section of HZL5 added 27 new stations to the 12 stations in the initial section of HZL5 that opened in June 2019. Total patronage was 27 million in the first half of 2020, with an average weekday patronage of 164,000.

Property Businesses in the Mainland of China

The Tiara residential development at Shenzhen Metro Longhua Line Depot Site Lot 1, has a total developable GFA of approximately 206,167 square metres with a retail centre of about 10,000 square metres (GFA). More than 98% of the residential units have been sold and handed over to buyers.

The Company also manages self-developed and other third-party properties in the Mainland of China, with a total managed area of approximately 406,000 square metres as at 30 June 2020. The average occupancy rates were 83% for Ginza Mall in Beijing and 71% for TIA Mall in Shenzhen during the first half of 2020.

To support the tenants of TIA Mall in Shenzhen and Ginza Mall in Beijing to survive the crisis of COVID-19 outbreak, MTR offered rental concessions from February to May 2020.

In Tianjin, a Sale and Purchase Agreement was signed in 2018 for the acquisition of a shopping centre to be developed on the Beiyunhe Station site. Based on the construction progress, project completion is expected to be delayed from 2022 to 2024 due to the additional works required for railway safety assurance during basement construction.

We also provide Transit Oriented Development technical assistance in the Greater Bay Area to an associated company of Country Garden Group and Foshan Shunde District Metro Company Limited.

Macao Railway Business

In Macao, we operate and maintain the city's first rapid transit system, the 9.3-km Macao Light Rapid Transit Taipa Line with 11 stations. Since opening on 10 December 2019, it has been operating smoothly in general but with reduced patronage as a result of the pandemic.

European Railway Businesses

United Kingdom

In London, our wholly owned subsidiary operates the Crossrail operating concession under the TfL Rail brand.

The service between Liverpool Street Station and Shenfield has been in operation since May 2015, while the service from Paddington Station to Heathrow Airport commenced operation in May 2018. In December 2019, service commenced between Paddington Station and Reading. As the operator, we continue to support Transport for London on its phased opening, and the service will be renamed Elizabeth line upon the opening of the Central Operating Section.

Also in the UK, our associate operates the South Western Railway franchise, one of the UK's largest rail networks. The financial performance of this franchise continued to suffer for a number of reasons, and in 2019 a provision of HK$436 million representing our share of the maximum potential loss under the Franchise Agreement was made.

Both TfL Rail and South Western Railway services were substantially reduced from late March 2020 and gradually increased after lockdown measures in the UK eased. TfL Rail's financial position should be well protected in the pandemic owing to it being a concession operation without fare revenue risks, and South Western Railway was temporarily transitioned into an Emergency Measures Agreement for about six months starting March 2020.

Sweden

MTR is the largest rail operator in Sweden by passenger volume, with three rail businesses in the country: Stockholm Metro, MTRX (formerly known as "MTR Express") and the Stockholm commuter rail service ("Stockholms pendeltåg"). All of these services are managed by our wholly owned subsidiaries.

During the COVID-19 outbreak, Stockholm Metro continued to run a full service while maintaining good punctuality.

MTRX has been running a reduced service since late March due to travel restrictions from local authorities and thereby lower demand. This has seriously impacted revenue. Travel restrictions were eased mid-June and services will continue during the summer at a reduced level.

During the period, Stockholms pendeltåg continued to run a full service, with further improvements to operational and financial performance. However, our wholly owned subsidiary that operates Stockholms pendeltåg will likely remain in a loss-making position this year or so.

Australian Railway Businesses

The Melbourne metropolitan rail network, which is managed by our subsidiary, experienced reduced patronage and revenue during the first six months of 2020 owing to the COVID-19 pandemic. In May 2020, the subsidiary reached agreement with the State government for a support package for the impact due to COVID-19.

The Sydney Metro North West Line, managed by our subsidiary, continued to offer a full service during the coronavirus outbreak but with much lower patronage. We do not take on patronage revenue risk according to the terms of this franchise.

Work progress of our delivery contract for the Sydney Metro City and Southwest railway was slightly impacted owing to material and people flow restrictions between countries during COVID-19. Detailed design work has been progressing.

Growth Outside of Hong Kong

In Shenzhen, we submitted a bid for two railway services, Shenzhen Metro Line 12 and SZL13. We announced on 3 August 2020 that the consortium led by our wholly owned subsidiary was awarded the tender for the SZL13 PPP project. The project includes the investment in, construction of, and operations and maintenance of SZL13 for 30 years after completion.

The PPP project will be undertaken by a company in which our wholly owned subsidiary will have an effective interest of 83%.

The PPP project covers track laying, rolling stock and electrical and mechanical systems, including the signalling system and the automated fare collection system, with a total capital cost of approximately RMB4.91 billion to be financed by both debt and equity.

The 22.4-km SZL13 includes 16 stations and is expected to commence service in 2023.

In Chengdu, a joint-venture agreement was signed in June 2020 with Chengdu Rail Transit Group to set up a new company for exploring and developing station commercial and related businesses in Chengdu.

Our rolling stock maintenance joint venture with the CRRC Nanjing Puzhen Co., Ltd. consortium won the tender in June 2020 for the Hangzhou Metro Line 4 rolling stock overhaul project.

During the period, we continued our discussions on opportunities for building transport infrastructure and property/community building projects in the Mainland of China, in particular, the Guangdong-Hong Kong-Macao Greater Bay Area.

In Sweden, we are preparing for a potential bid submission for Sweden Mälartåg in September 2020. Our bid for the O&M of Roslagsbanan, however, was unsuccessful.

FINANCIAL REVIEW

In addition to the above brief report of the Group's results and operations, this section discusses and analyses the Group's results in more detail.

Profit and Loss

HK$ million	Six months ended 30 June 2020	Six months ended 30 June 2019	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Total Revenue	**21,592**	**28,272**	**(6,680)**	**(23.6)**
Recurrent Business Profit [ζ]				
EBIT				
Hong Kong Transport Operations	**(2,579)**	952	(3,531)	n/m
Hong Kong Station Commercial Businesses	**1,334**	2,679	(1,345)	(50.2)
Hong Kong Property Rental and Management Businesses	**2,193**	2,229	(36)	(1.6)
Mainland of China and International Railway, Property Rental and Management Subsidiaries	**182**	560	(378)	(67.5)
Others[#]	**(199)**	(2,107)	1,908	90.6
Share of Profit / (Loss) of Associates and Joint Venture	**217**	(74)	291	n/m
Profit before Interest, Finance Charges and Taxation	**1,148**	4,239	(3,091)	(72.9)
Interest and Finance Charges	**(537)**	(480)	57	11.9
Income Tax	**(155)**	(996)	(841)	(84.4)
Non-controlling Interests	**(23)**	(98)	(75)	(76.5)
Recurrent Business Profit	**433**	**2,665**	**(2,232)**	**(83.8)**
Property Development Profit				
Hong Kong	**5,171**	750	4,421	589.5
Mainland of China	**29**	25	4	16.0
Property Development Profit	**5,200**	**775**	**4,425**	**571.0**
Underlying Business Profit [ε]	**5,633**	**3,440**	**2,193**	**63.8**
Investment Property Revaluation (Loss) / Gain	**(5,967)**	2,066	(8,033)	n/m
Net (Loss) / Profit Attributable to Shareholders of the Company	**(334)**	**5,506**	**(5,840)**	**n/m**

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 of China and international railway, property rental and management businesses and other businesses.*

\# *Others represent other businesses, and project study and business development expenses.*

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

n/m: not meaningful

Total Revenue

Total revenue of the Group for the six months ended 30 June 2020 was HK$21,592 million, a decrease of 23.6% when compared to the same period in 2019, mainly due to the decrease in fare revenue of our Hong Kong transport operations and the decrease in station retail rent and associated revenue of our Hong Kong Station Commercial businesses as a result of the COVID-19 pandemic and the deterioration of the general economic environment.

Recurrent Business Profit

Various measures have been implemented in Hong Kong and globally to address the outbreak of COVID-19, and these measures, coupled with the deterioration of the general economic environment, have had a significant adverse impact on the Group's recurrent businesses. The estimated total adverse financial impact of the COVID-19 pandemic on the Group's recurrent business profit for the six months ended 30 June 2020 amounted to around HK$5 billion (as measured predominantly by reference to the first half of 2019). As a result, the Group's recurrent business profit for the six months ended 30 June 2020 decreased by 83.8% to HK$433 million.

EBIT

EBIT of Hong Kong transport operations decreased by HK$3,531 million and reported a loss of HK$2,579 million, mainly due to a substantial reduction of 37.7% in total patronage resulting from the COVID-19 pandemic and related governmental measures. These measures included 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 arrangements.

EBIT of the Hong Kong station commercial businesses decreased by 50.2% to HK$1,334 million, mainly due to the Group granting rental concessions to support the operators of duty free shops and some station kiosks as a result of the closure of several boundary crossings between Hong Kong and the Mainland of China, as well as the Group granting rental concessions to the retail tenants of other station kiosks, coupled with the sharp drop in our advertising revenue.

EBIT of the Hong Kong property rental and management businesses slightly decreased by 1.6% to HK$2,193 million, mainly due to rental concessions granted by the Group to our affected retail tenants. Such rental concession granted will be amortised to the profit and loss account over the remaining lease terms of the respective tenants, of which only a small portion was charged to the profit and loss account for the six months ended 30 June 2020. The decrease in EBIT was partly offset by the profit contributions brought by the Group's newly acquired remaining economic interests in Telford Plaza II and PopCorn 2 since the end of March 2020, as well as the rental growth of our investment properties in Two International Finance Centre.

Our Mainland of China and international railway, property rental and management subsidiary businesses have been adversely affected to varying degrees (with Melbourne Train being affected the most) by the COVID-19 pandemic and related governmental measures, resulting in a decrease in EBIT of 67.5% to HK$182 million.

EBIT of others (mainly including project management services performed for the HKSAR Government, Ngong Ping 360 and consultancy businesses, net of project study and business development expenses) reported a loss of HK$199 million for the six months ended 30 June 2020, compared to a loss of HK$2,107 million for the same period in 2019, which included a provision of HK$2 billion made for the Hung Hom incidents of the Shatin to Central Link ("SCL") project in Hong Kong. If the provision in 2019 had been excluded, the EBIT loss in 2020 would have increased by HK$92 million, mainly due to the revenue loss from the service suspension of Ngong Ping 360 in 2020 as a result of the COVID-19 pandemic.

Share of Profit of Associates and Joint Venture

Share of profit of associates and joint venture was HK$217 million in the six months ended 30 June 2020, compared to a loss of HK$74 million for the same period in 2019, which included a provision of an onerous contract of HK$436 million made in respect of the South Western Railway franchise agreement in the United Kingdom. If the provision in 2019 had been excluded, the share of profit in 2020 would have decreased by HK$145 million or 40.1%, mainly due to the financial performance of our associates in Beijing and Hangzhou, which was adversely affected by the COVID-19 pandemic.

Property Development Profit

Property development profit (post-tax) increased from HK$775 million to HK$5,200 million for the six months ended 30 June 2020, mainly derived from the share of surplus proceeds of LP6 (LOHAS Park Package 6) and sales of inventory units.

Net Loss Attributable to Shareholders of the Company

Revaluation of the Group's investment properties in Hong Kong and Mainland of China, which was performed by independent professional valuation firms, resulted in a revaluation loss of HK$5,967 million for the six months ended 30 June 2020, compared to a revaluation gain of HK$2,066 million for the same period in 2019. The revaluation loss was due to the adverse impact of the COVID-19 pandemic and the deterioration of the general economic environment on rents. Taking into account the Group's recurrent businesses, property development businesses and investment property revaluation, the Group reported a net loss attributable to shareholders of the Company of HK$334 million for the six months ended 30 June 2020, compared to a net profit of HK$5,506 million for the same period in 2019.

Financial Position

HK$ million	**As at 30 June 2020**	As at 31 December 2019	Inc./(Dec.) HK$ million	Inc./(Dec.) %
Net Assets	**180,021**	186,798	(6,777)	(3.6)
Total Assets	**287,615**	289,214	(1,599)	(0.6)
Total Liabilities	**107,594**	102,416	5,178	5.1
Gross Debt^	**41,620**	39,456	2,164	5.5
Net Debt-to-equity Ratio$^{\delta}$	**18.9%**	15.4%		3.5% pts.

^ *Gross debt represents loans and other obligations, short-term loans and bank overdrafts.*

δ *Net debt-to-equity ratio represents loans and other obligations, short-term loans, bank overdrafts, obligations under service concession and loan from holders of non-controlling interests net of cash, bank balances and deposit in the consolidated statement of financial position as a percentage of the total equity.*

Net Assets

Our financial position remained strong. The Group's net assets decreased by 3.6% from HK$186,798 million as at 31 December 2019 to HK$180,021 million as at 30 June 2020.

Total Assets

Total assets decreased slightly by 0.6% from HK$289,214 million to HK$287,615 million. This was mainly due to a combination of

- a decrease in investment properties due to the revaluation loss on our existing portfolio;
- a decrease in cash balances; and
- an increase in property development receivables upon the recognition of the property development profit of LP6.

Total Liabilities

Total liabilities increased by 5.1% from HK$102,416 million to HK$107,594 million. This was mainly due to a combination of

- an accrual for the 2019 final ordinary dividend;
- a net increase in borrowings; and
- settlement of the variable annual payment payable to KCRC and current tax paid.

Gross Debt and Cost of Borrowing

Gross debt of the Group (being loans and other obligations, bank overdrafts and short-term loans) increased by 5.5% to HK$41,620 million. Weighted average borrowing cost of the Group's interest-bearing borrowings for the six months ended 30 June 2020 was at 2.6% p.a., compared to 2.7% p.a. in the same period in 2019.

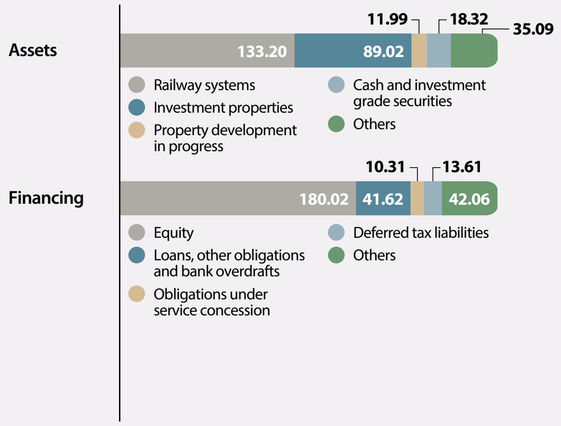
Net Debt-to-equity Ratio

Net debt-to-equity ratio was 18.9% at 30 June 2020, an increase of 3.5% points from 15.4% as at 31 December 2019, mainly due to the decrease in cash balances and the increase in borrowings as a result of the cash paid for the acquisition of the remaining 50% economic interests in Telford Plaza II and 30% in PopCorn 2, payments for capital expenditure of our Hong Kong existing railways and related operations, as well as net cash used in operating activities after the variable annual payment.

Simplified Consolidated Statement of Financial Position

As at 30 June 2020

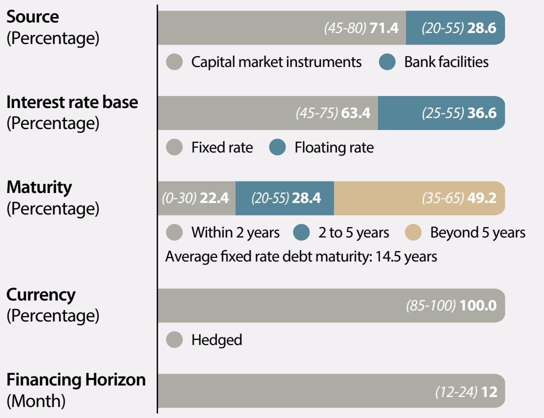
(HK$ billion)



Preferred Financing Model and Debt Profile

The Preferred Financing Model exemplifies the Company's prudent 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 2020



Cash Flow

HK$ million	Six months ended 30 June 2020	2019
Net Cash (Used in) / Generated from Operating Activities after Variable Annual Payment	**(1,881)**	7,738
Net Receipts from Property Development	**3,323**	4,223
Other Net Cash Outflow from Investing Activities	**(6,120)**	(3,860)
Net Drawdown / (Repayment) of Debts, Net of Interest Payment	**1,828**	(4,403)
(Decrease) / Increase in Cash, Bank Balances and Deposits#	**(2,883)**	**3,649**

Excluding effect of exchange rate change

Net Cash Used in Operating Activities after Variable Annual Payment

Net cash used in operating activities after the variable annual payment for Hong Kong railway and related operations was HK$1,881 million for the six months ended 30 June 2020, compared to net cash generated of HK$7,738 million for the same period in 2019, mainly due to decrease in operating profit and increase in tax payments in the first half of 2020 resulting from the timing difference for 2019 provisional tax payments.

Net Receipts from Property Development

Net receipts from property development were HK$3,323 million, comprising mainly cash receipts from LOHAS Park packages.

Other Net Cash Outflow from Investing Activities

Other net cash outflow from investment activities was HK$6,120 million, which mainly included capital expenditure of HK$6,306 million (comprising HK$3,285 million for Hong Kong investment properties, HK$2,805 million for investments in additional assets for Hong Kong existing railways and related operations, HK$77 million for Hong Kong railway extension projects and HK$139 million for the Mainland of China and overseas subsidiaries).

Financing Activities

The global economies and markets experienced substantial turbulence in the first half of 2020. Lockdowns and social distancing, aiming at slowing down the spread of the COVID-19, adversely affected many business sectors. In response, the US Federal Reserve cut the range of the federal funds target rate twice in March by a total of 1.50 percentage points down to 0.00% – 0.25% p.a. The 3-month USD-LIBOR correspondingly fell from 1.91% p.a. at the start of the year to 0.30% p.a. at the end of June. While HKD short term interest rates remained higher than the USD rates, significant fund flows into the territory since middle of April reduced some of the interest rate differential, with 3-month HKD-HIBOR falling from 2.43% p.a. at the start of the year down to 0.78% p.a. at the end of June.

Major central banks also announced substantial quantitative easing measures, injecting ample liquidity into the market. Longer term USD and HKD rates both fell substantially. The 10-year US Treasury fell from 1.92% p.a. at the start of the year to 0.66% p.a. by end of June, surpassing the last all-time low of 1.36% p.a. set in July 2016. Similarly, the 10-year HKD swap rate also fell below the last all-time low of 1.27% p.a. seen in November 2012, moving from 2.04% p.a. beginning January to 1.04% p.a. by end of June.

The Company started the year carrying out financing activities with shorter tenor aiming at lowering the overall borrowing cost. With the business climate changing sharply by the middle of March, the Company started to focus more on financing facilities with drawdown flexibility and longer tenor. Total new financing of HK$16.5 billion was arranged, including HK$4.2 billion of medium term notes ("MTN") and HK$12.3 billion of bank loans. Notably, a HK$500 million 35-year green MTN was issued amongst the total of HK$4.5 billion of financing arranged under the Green Finance Framework where the proceeds are earmarked for eligible green projects. As at end of June 2020, the Group's undrawn committed facilities amounted to HK$8,504 million.

The weighted average cost of the Group's interest bearing borrowings over the first six months was 2.6% p.a., as compared to 2.7% p.a. for the same period last year. As at the end of June, around 63.4% of the Group's borrowings were fixed rate borrowings with an average interest rate of 2.8% p.a. and maturity of 14.5 years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

MTR attaches great importance to ESG. The review of our Corporate Strategy outlined earlier will continue to guide our efforts to grow our business. With a keen focus on being green and compassionate, we understand that our environmental and social goals will not only determine how we conduct and sustain our business. They will also help us to maintain our reputation as a responsible business that connects communities and betters the lives of our passengers, customers and employees.

At MTR, we have been looking into current trends in sustainability and adjusting our ESG strategy accordingly. These adjustments include promoting low-carbon transport, reducing congestion and providing better access to multi-modal forms of transit, as well as ensuring greater diversity in our workforce. Beyond this, we encourage every part of our business to be conscious of ESG. In our heavy rail network, for example, we have set targets to reduce electricity consumption per passenger-km by 21% by 2020 as compared with 2008. In our investment property portfolio, we have set targets to reduce energy use by 12% in 2023 as compared with 2013.

We also understand the importance of engaging our stakeholders. We have introduced various engagement activities that connect us with the communities we serve and support the changing needs of society for the benefit of young people, children, the elderly and vulnerable social groups. In addition, we aim to create a work environment that is engaging and supportive of our staff, whom we consider to be our most valuable asset.

Just as important is the need to ensure and maintain high corporate governance standards in order to align ourselves with the interests of our stakeholders. We have thus adopted best practices in corporate governance, with a well-defined governance structure, board diversity and mechanism for effective crisis management.

Safety First

Safety, which is always our highest priority, is a key element of our ESG strategy. We ensure a safe and healthy environment by cultivating a safety-first culture, promoting continuous improvement, and engaging and educating our stakeholders on the requirements of our Corporate Safety Policy.

For the safety of our passengers, we stepped up our regular cleaning routine soon after the first case of novel coronavirus was recorded in Hong Kong in order to minimise the risk of infection on our trains, in our stations, shopping malls and other premises. We also introduced a sophisticated new vaporised hydrogen peroxide robot to increase our disinfection of stations and trains, especially in small gaps that are normally difficult to reach. We applied a Photo Catalyst "Nano Silver-Titanium Dioxide Coating" to kill a wide range of viruses and bacteria on surfaces that passengers commonly touch, such as grab poles and straphangers. Furthermore, we enhanced ventilation and filter cleaning and replacement for trains and stations, as well as in our shopping malls.

In order to gain the public's confidence, we have been implementing other hygiene measures, such as installing sensor lift buttons that do not need to be touched. Our objective is to demonstrate that MTR cares for the health of our customers and, by so doing, make hygiene a competitive advantage for the Company.

In terms of the number of reportable incidents on our heavy rail and light rail networks during the first half of 2020, these have been reduced by 36% as compared with the same period in 2019.

Enterprise Risk Management

On an ongoing basis, business units across the Company follow the Company's Enterprise Risk Management framework that underpins their day-to-day business activities. Our business by its very nature is subject to a variety of risks and uncertainties, many of which may change over time, as well as new risks that might arise. Over the past six months, the COVID-19 pandemic has emerged as a more significant key risk that is being managed by the Company. At this point, the scale and duration of COVID-19's impact remains uncertain. Various mitigation measures and controls have been implemented, and the Company will continue to closely monitor this risk as part of the Company's enterprise risk profile and will develop further mitigation measures as required.

HUMAN RESOURCES

As at 30 June 2020, MTR and its subsidiaries employed 17,569 people in Hong Kong and 16,508 people outside of Hong Kong, while our affiliates employed an additional 16,631 people in and outside of Hong Kong.

During the first six months of the year, we implemented various initiatives to enhance talent acquisition, staff engagement, motivation and talent development. Our efforts to engage and develop our colleagues are reflected in our stable workforce, with the voluntary staff turnover rate in Hong Kong staying low at 3.8% during the first half of the year. We provided an average of 2.5 training days per staff in Hong Kong during the period.

The worldwide impact of COVID-19 posed unprecedented challenges to the Company's business performance during the period. As a responsible employer, we believe it is important to protect jobs and to ensure business sustainability in the midst of this crisis. To safeguard our colleagues against the COVID-19 pandemic, we proactively enhanced protective measures for colleagues and initiated appropriate flexible work arrangements.

As part of our commitment to promote total well-being, we launched Well-being Leave and Flexible Benefits On-line Platform in January and March 2020 respectively.

MTR ACADEMY

During the first six months of 2020, the MTR Academy continued to offer high quality programmes that bring MTR's railway management and engineering expertise to the Mainland of China and Belt and Road countries, as well as accredited programmes and short courses for the next generation of railway professionals. Programmes were provided during the novel coronavirus outbreak through online teaching and virtual examination rooms rather than in face-to-face classroom settings.

OUTLOOK

For MTR, and Hong Kong as a whole, the past six months have been exceptionally challenging. As a result of the aftermath of the public order events from last year and the advent of the COVID-19 pandemic, our railway operations, shopping malls, station retail rental and advertising revenue were all affected in ways that go beyond their financial implications. The estimated total financial impact of the COVID-19 outbreak in the first half of 2020 amounted to around HK$5 billion on the net profit of the Group's recurrent businesses (as measured predominantly by reference to the first half of 2019). The impact of the COVID-19 outbreak on the Group is likely to continue for some time, but the precise timing and scale of the impact is difficult to predict and will depend on the development of the situation. The investment property revaluation loss of HK$5,967 million recorded in the first half was mainly attributable to COVID-19, and the asset value of our investment property portfolio may be further affected as market conditions change.

At the same time, I am deeply proud of our staff who have persevered through these most difficult times to continue providing the world-class service that our passengers and customers have come to expect of us.

Aside from these challenges, we learned some hard lessons about the way we manage our projects and run our railways. We have since taken steps to improve our project management and the maintenance of our railway following a number of projects and railway incidents in the last few years.

On a brighter note, we successfully opened the Tuen Ma Line Phase 1 and received official invitations to proceed with the detailed design and planning of two new railway projects under RDS 2014. We also look forward to participating in more property development projects, such as new shopping malls and residential developments.

In addition, subject to market conditions, we will be inviting tenders for three property development packages from now till the end of March next year, which will provide a total of around 4,350 residential units. Depending on market conditions, we currently expect to conduct pre-sales of LOHAS Park Package 10 and Tai Wai Station in the coming months.

While we will likely continue to encounter challenges during the remainder of the year, particularly if we see a resurgence of COVID-19 cases, I can assure you that MTR is financially sustainable and ready to continue providing railway services that are among the most reliable and efficient in the world.

As far as growth opportunities outside Hong Kong are concerned, we will continue to explore and compete in these markets. In August, our wholly owned subsidiary, MTR Consulting (Shenzhen) Co. Ltd., took the lead in a partnership with China Railway Electrification Bureau (Group) Co., Ltd, was awarded the tender for SZL13. However, we are still at heart a Hong Kong company, and Hong Kong will remain our core market for well into the foreseeable future.

I look forward to working with our hard-working colleagues and members of the Board during the remaining months of 2020 to keep Hong Kong and all the cities that we serve moving forward. Please stay safe, healthy and hopeful.

Dr Jacob Kam Chak-pui
Chief Executive Officer
Hong Kong, 6 August 2020

KEY FIGURES

	Six months ended 30 June 2020 HK$ million	2020 %	2019 HK$ million	2019 %	Inc./(Dec.)%
Total Revenue					
Recurrent businesses					
– Hong Kong transport operations	**6,234**	**28.9**	10,690	37.8	(41.7)
– Hong Kong station commercial businesses	**1,809**	**8.4**	3,555	12.6	(49.1)
– Hong Kong property rental and management businesses	**2,582**	**12.0**	2,635	9.3	(2.0)
– Mainland of China and international railway, property rental and management subsidiaries	**10,465**	**48.4**	10,558	37.3	(0.9)
– Other businesses	**502**	**2.3**	834	3.0	(39.8)
	21,592	**100.0**	28,272	100.0	(23.6)
Property development businesses					
– Mainland of China property development	**–**	**–**	–	–	n/m
Total revenue	**21,592**	**100.0**	28,272	100.0	(23.6)
Total EBITDA [1]					
Recurrent business EBITDA					
– Hong Kong transport operations	**106**	**1.0**	4,346	46.7	(97.6)
– Hong Kong station commercial businesses	**1,549**	**15.2**	3,227	34.7	(52.0)
– Hong Kong property rental and management businesses	**2,203**	**21.7**	2,240	24.1	(1.7)
– Mainland of China and international railway, property rental and management subsidiaries	**309**	**3.0**	672	7.2	(54.0)
– Other businesses and project studies and business development expenses	**(166)**	**(1.6)**	(2,074)	(22.3)	92.0
	4,001	**39.3**	8,411	90.4	(52.4)
Property development business EBITDA					
– Hong Kong property development	**6,168**	**60.7**	898	9.7	586.9
– Mainland of China property development	**(4)**	**–**	(10)	(0.1)	60.0
	6,164	**60.7**	888	9.6	594.1
Total EBITDA	**10,165**	**100.0**	9,299	100.0	9.3
Total EBIT [2]					
Recurrent business EBIT					
EBIT					
– Hong Kong transport operations	**(2,579)**	**(35.3)**	952	18.6	n/m
– Hong Kong station commercial businesses	**1,334**	**18.2**	2,679	52.2	(50.2)
– Hong Kong property rental and management businesses	**2,193**	**30.0**	2,229	43.5	(1.6)
– Mainland of China and international railway, property rental and management subsidiaries	**182**	**2.5**	560	10.9	(67.5)
– Other businesses and project studies and business development expenses	**(199)**	**(2.7)**	(2,107)	(41.1)	90.6
Share of profit / (loss) of associates and joint venture	**217**	**3.0**	(74)	(1.4)	n/m
	1,148	**15.7**	4,239	82.7	(72.9)
Property development business EBIT					
– Hong Kong property development	**6,168**	**84.4**	898	17.5	586.9
– Mainland of China property development	**(4)**	**(0.1)**	(10)	(0.2)	60.0
	6,164	**84.3**	888	17.3	594.1
Total EBIT	**7,312**	**100.0**	5,127	100.0	42.6
Interest and finance charges	**(499)**		(442)		12.9
Investment property revaluation (loss) / gain	**(5,967)**		2,066		n/m
Profit before taxation	**846**		6,751		(87.5)
Income tax	**(1,157)**		(1,147)		0.9
(Loss) / profit for the period	**(311)**		5,604		n/m
Non-controlling interests	**(23)**		(98)		(76.5)
(Loss) / profit for the period attributable to shareholders of the Company	**(334)**		5,506		n/m
Profit / (loss) for the period attributable to shareholders of the Company arising from:					
Recurrent businesses	**433**		2,665		(83.8)
Property development businesses	**5,200**		775		571.0
Underlying businesses	**5,633**		3,440		63.8
Investment property revaluation (loss) / gain	**(5,967)**		2,066		n/m
Total (loss) / profit for the period attributable to shareholders of the Company	**(334)**		5,506		n/m

Notes

1 EBITDA represents operating profit / (loss) before depreciation, amortisation, variable annual payment and share of profit / (loss) of associates and joint venture.

2 EBIT represents profit / (loss) before interest, finance charges and taxation and after variable annual payment.

n/m: not meaningful

	Six months ended 30 June		
	2020	2019	Inc./(Dec.)%
Financial ratios			
EBITDA margin[(3)] *(in %)*	**18.5**	29.7	(11.2)% pts.
EBITDA margin[(3)] (excluding Mainland of China and international subsidiaries[δ]) *(in %)*	**33.2**	43.7	(10.5)% pts.
EBIT margin[(4)] *(in %)*	**4.3**	15.2	(10.9)% pts.
EBIT margin[(4)] (excluding Mainland of China and international subsidiaries[φ]) *(in %)*	**6.7**	21.2	(14.5)% pts.
Net debt-to-equity ratio[(5)] *(in %)*	**18.9#**	15.4^	3.5 % pts.
Interest cover[(6)] *(times)*	**14.2**	13.4	0.8 time
Share information			
Basic (loss) / earnings per share *(in HK$)*	**(0.05)**	0.90	n/m
Basic earnings per share arising from underlying businesses *(in HK$)*	**0.92**	0.56	64.3
Ordinary dividend per share *(in HK$)*	**0.25**	0.25	–
Share price *(in HK$)*	**40.15#**	46.05^	(12.8)
Market capitalisation *(HK$ million)*	**247,310#**	283,574^	(12.8)
Operations highlights			
Total passenger boardings for Hong Kong *(million)*			
Domestic Service	**553.6**	830.2	(33.3)
Cross-boundary Service	**7.4**	57.6	(87.2)
High Speed Rail	**1.1**	9.9	(89.4)
Airport Express	**2.1**	9.0	(77.0)
Light Rail and Bus	**73.0**	114.4	(36.2)
Average number of passengers *(thousand)*			
Domestic Service *(weekday)*	**3,321.1**	4,891.6	(32.1)
Cross-boundary Service *(daily)*	**40.6**	318.4	(87.2)
High Speed Rail *(daily)*	**5.8**	54.9	(89.5)
Airport Express *(daily)*	**11.4**	49.7	(77.1)
Light Rail and Bus *(weekday)*	**416.3**	657.5	(36.7)
Average fare *(in HK$)*			
Domestic Service	**8.20**	8.14	0.8
Cross-boundary Service	**27.85**	29.78	(6.5)
High Speed Rail	**85.53**	90.13	(5.1)
Airport Express	**51.63**	64.05	(19.4)
Light Rail and Bus	**3.33**	3.23	3.1
Proportion of franchised public transport boardings (January to May) *(in %)*	**44.6**	48.8	(4.2)% pts.

Notes

3 EBITDA margin represents total EBITDA (excluding profit on Hong Kong property development) as a percentage of total revenue.

4 EBIT margin represents total EBIT (excluding profit on Hong Kong property development and share of profit / (loss) of associates and joint venture) as a percentage of total revenue.

5 Net debt-to-equity ratio represents loans and other obligations, short-term loans, bank overdrafts, 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 depreciation, amortisation, variable annual payment and share of profit / (loss) of associates and joint venture divided by gross interest and finance charges before capitalisation, and utilisation of government subsidy for Shenzhen Metro Longhua Line operation.

 # Figures as at 30 June 2020

^ Figures as at 31 December 2019

δ Excluding the relevant revenue and expenses of Mainland of China and international subsidiaries of HK$10,465 million and HK$10,160 million (2019: HK$10,558 million and HK$9,896 million) respectively

φ Excluding the relevant revenue, expenses, depreciation and amortisation of Mainland of China and international subsidiaries of HK$10,465 million, HK$10,160 million and HK$127 million (2019: HK$10,558 million, HK$9,896 million and HK$112 million) respectively

CORPORATE GOVERNANCE AND OTHER INFORMATION

MEMBERS OF THE BOARD, THE BOARD COMMITTEES AND THE EXECUTIVE DIRECTORATE

List of Members of the Board and the Executive Directorate and their Roles and Functions (as at 6 August 2020)

		Board Committees					
	Executive Committee	Audit Committee	Nominations Committee	Remuneration Committee	Capital Works Committee	Risk Committee	Corporate Responsibility Committee
Members of the Board							
Non-executive Directors ("NED")							
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 Housing (Frank Chan Fan)			M	M			
Permanent Secretary for Development (Works) (Lam Sai-hung)					M	M	
Commissioner for Transport		M				M	
Independent Non-executive Directors ("INED")							
Andrew Clifford Winawer Brandler		M				C	
Dr Bunny Chan Chung-bun							M
Walter Chan Kar-lok			M				M
Dr Pamela Chan Wong Shui			C				M
Dr Dorothy Chan Yuen Tak-fai				C	M		
Cheng Yan-kee				M	C		
Dr Anthony Chow Wing-kin				M	M		
Dr Eddy Fong Ching		C	M				
James Kwan Yuk-choi					M	M	
Rose Lee Wai-mun		M				M	
Lucia Li Li Ka-lai		M	M				
Jimmy Ng Wing-ka					M		M
Benjamin Tang Kwok-bun				M		M	
Johannes Zhou Yuan		M				M	
Executive Director							
Dr Jacob Kam Chak-pui (Chief Executive Officer)	C						M
Members of the Executive Directorate							
Dr Jacob Kam Chak-pui (Chief Executive Officer)	C						M
Adi Lau Tin-shing (Managing Director – Operations and Mainland Business)	M						
Roger Francis Bayliss (Projects Director)	M						
Margaret Cheng Wai-ching (Human Resources Director)	M						M
Linda Choy Siu-min (Corporate Affairs Director)	M						M
Dr Peter Ronald Ewen (Engineering Director)	M						
Herbert Hui Leung-wah (Finance Director)	M						
Dr Tony Lee Kar-yun (Operations Director)	M						
Gillian Elizabeth Meller (Legal and European Business Director)	M						
David Tang Chi-fai (Property Director)	M						
Jeny Yeung Mei-chun (Commercial Director)	M						

C: Chairman of the committee
M: Member of the committee

Corporate governance is the collective responsibility of the Members of the Board and the Board firmly believes that good corporate governance is fundamental 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. According to the "2020 HKIoD Corporate Governance Scorecard" announced by The Hong Kong Institute of Directors in May this year, the Company is one of the top 10 listed companies with the highest Corporate Governance Index scores.

CORPORATE GOVERNANCE CODE COMPLIANCE

During the six months ended 30 June 2020, the Company has complied with the Code Provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BUSINESS ETHICS

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

The Code of Conduct is reviewed and updated periodically to ensure appropriateness and compliance with corporate and regulatory requirements. Following the release of an updated Code of Conduct in July 2020, a new series of staff awareness programmes was launched featuring animation videos and an interactive game to help staff members better understand the principles of the Code. Other education programmes, including seminars and mandatory computer-based training programmes ("CBT Programmes") were also introduced to raise staff awareness. For instance, a mandatory CBT Programme titled "Understanding Personal Data (Privacy) Ordinance" has been launched with a short quiz as part of the Code of Conduct CBT Programme series.

Staff members are encouraged to report existing or perceived violations of the Code of Conduct as well as malpractices. Proper procedures related to the whistle-blowing policy of the Company are also in place, enabling 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 the mandatory CBT Programmes within three months of joining the Company. The Code of Conduct is available on the Company's website (www.mtr.com.hk).

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code"). After having made specific enquiry, the Company confirms that all Members of the Board and (where applicable) their Alternate Directors and all Members of the Executive Directorate have complied with the Model Code throughout the six months ended 30 June 2020.

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 and have confirmed their compliance.

For enhanced monitoring and effectiveness, the Company has implemented a 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 2020 TO 6 AUGUST 2020

Changes in Composition of the Board

1. Dr Bunny Chan Chung-bun was elected as a Board Member and became an INED with effect from the conclusion of the Company's Annual General Meeting held on 20 May 2020 (the "2020 AGM"), and was appointed by the Board as a member of the Corporate Responsibility Committee of the Company with effect from the same date.
2. Dr Allan Wong Chi-yun retired as an INED and ceased to be the chairman of the Capital Works Committee and a member of the Nominations Committee of the Company, all with effect from the conclusion of the 2020 AGM.
3. Mr Cheng Yan-kee, an INED and a member of each of the Capital Works Committee and the Remuneration Committee of the Company, was appointed by the Board as the chairman of the Capital Works Committee of the Company with effect from the conclusion of the 2020 AGM.
4. Mrs Lucia Li Li Ka-lai, an INED and a member of each of the Audit Committee and the Corporate Responsibility Committee of the Company, was appointed by the Board as a member of the Nominations Committee of the Company and ceased to be a member of the Corporate Responsibility Committee of the Company, both with effect from the conclusion of the 2020 AGM.
5. Mr James Henry Lau Jr resigned and ceased to be a NED and a member of each of the Nominations Committee and the Remuneration Committee of the Company, all with effect from 1 June 2020.
6. Mr Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury) was appointed by the Board as a NED and a member of each of the Nominations Committee and the Remuneration Committee of the Company, all with effect from 1 June 2020.
7. Ms Mable Chan ceased to hold the post of the Commissioner for Transport with effect from 1 August 2020 and, as a result, ceased to be a NED and a member of each of the Audit Committee and the Risk Committee of the Company, all with effect from the same date.

Changes of Alternate Directors

1. Mr Joseph Chan Ho-lim (Under Secretary for Financial Services and the Treasury), Ms Alice Lau Yim (Permanent Secretary for Financial Services and the Treasury (Treasury)) and Mr Andrew Lai Chi-wah (Deputy Secretary for Financial Services and the Treasury (Treasury)2) ceased to be Alternate Directors to Mr James Henry Lau Jr, a former NED, with effect from 1 June 2020.
2. Mr Joseph Chan Ho-lim, Ms Alice Lau Yim and Mr Andrew Lai Chi-wah were appointed by Mr Christopher Hui Ching-yu, a NED, as his Alternate Directors with effect from 1 June 2020.
3. Mr Andrew Lai Chi-wah ceased to be an Alternate Director to Mr Christopher Hui Ching-yu, a NED, with effect from 25 July 2020.
4. Mr Joseph Lai Yee-tak ceased to be an Alternate Director to the office of the Secretary for Transport and Housing ("S for T&H") (Mr Frank Chan Fan), a NED, with effect from 1 August 2020, as he ceased to hold the post of Permanent Secretary for Transport and Housing (Transport) with effect from the same date.
5. Ms Mable Chan has taken up the post of Permanent Secretary for Transport and Housing (Transport) with effect from 1 August 2020 and, by assuming such post, became an Alternate Director to the office of the S for T&H (Mr Frank Chan Fan), a NED, with effect from the same date.

Changes in Composition of the Executive Directorate

1. Mr Adi Lau Tin-shing was appointed as the Managing Director – Operations and Mainland Business and ceased to be the Operations Director of the Company with effect from 1 January 2020. He continues to be a Member of the Company's Executive Directorate.
2. Dr Tony Lee Kar-yun was appointed as the Operations Director and became a Member of the Executive Directorate of the Company with effect from 1 January 2020.
3. Ms Linda So Ka-pik resigned as the Corporate Affairs Director and ceased to be a Member of the Executive Directorate and a member of the Corporate Responsibility Committee of the Company, all with effect from 16 January 2020.

4. Ms Linda Choy Siu-min was appointed as the Corporate Affairs Director and became a Member of the Executive Directorate and a member of the Corporate Responsibility Committee of the Company, all with effect from 2 March 2020.

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)
Rex Auyeung Pak-kuen	The Community Chest of Hong Kong • Member of the Investment Sub-committee	Cessation (22 June 2020)
Dr Dorothy Chan Yuen Tak-fai	The Chartered Institute of Logistics and Transport • Global Chairperson and Global Advisor for Women in Logistics and Transport	Cessation (1 July 2020)
Dr Anthony Chow Wing-kin	The Hong Kong Academy for Performing Arts • Deputy Chairman of the Council	Appointment (1 January 2020)
	The Hong Kong Jockey Club • Chairman of the board of stewards	Cessation (22 June 2020)
Dr Eddy Fong Ching	Mox Bank Limited (formerly known as SC Digital Solutions Limited) • Independent Non-executive Director	Cessation (26 July 2020)
Christopher Hui Ching-yu	The Hong Kong Mortgage Corporation Limited • Non-executive Director	Appointment (25 May 2020)
Jimmy Ng Wing-ka	Competition Commission (HKSAR) • Member	Appointment (1 May 2020)
	The University of Hong Kong • Member of the Court	Appointment (5 June 2020)
James Henry Lau Jr (Resigned on 1 June 2020)	The Government of the HKSAR • Secretary for Financial Services and the Treasury	Cessation (22 April 2020)
	Kowloon-Canton Railway Corporation • Chairman	Cessation (22 April 2020)
	Hongkong International Theme Parks Limited • Director	Cessation (22 April 2020)
	Mandatory Provident Fund Schemes Authority (Hong Kong) • Director	Cessation (22 April 2020)
	Airport Authority Hong Kong • Board Member	Cessation (22 April 2020)
	West Kowloon Cultural District Authority (Hong Kong) • Board Member	Cessation (22 April 2020)
	Financial Services Development Council (Hong Kong) • Ex-officio Member	Cessation (22 April 2020)
	The Hong Kong Mortgage Corporation Limited • Non-executive Director	Cessation (25 May 2020)
Dr Jacob Kam Chak-pui	Vocational Training Council in Hong Kong • Council Member	Cessation (1 July 2020)
Margaret Cheng Wai-ching	Hospital Authority (Hong Kong) • Member	Appointment (1 April 2020)
Dr Tony Lee Kar-yun	The Hong Kong Institute of Directors • Member	Admission (7 May 2020)
Gillian Elizabeth Meller	The Hong Kong Institute of Chartered Secretaries • President • Vice-president	Appointment (1 January 2020) Cessation (1 January 2020)
David Tang Chi-fai	The University of Hong Kong • Adjunct Professor in the Department of Real Estate and Construction	Appointment (1 June 2020)

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

(ii) Change in Director's Remuneration

Mr Cheng Yan-kee became the chairman (previously a member) of the Company's Capital Works Committee with effect from the conclusion of the 2020 AGM. As a result, the annual fee payable to him by the Company has been adjusted from HK$450,000 to HK$510,000 per annum effective from 20 May 2020. The actual fee receivable by Mr Cheng for the year ending 31 December 2020 will be calculated on a pro rata basis.

INDUCTION PROGRAMME, TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

Induction and familiarization programmes have been or will be provided to Dr Bunny Chan Chung-bun and Mr Christopher Hui Ching-yu, the new Board Members; Ms Mable Chan, Mr Joseph Chan Ho-lim and Ms Alice Lau Yim, the new Alternate Directors; and Dr Tony Lee Kar-yun and Ms Linda Choy Siu-min, the new Members of the Executive Directorate.

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.

Save for the above, materials on the subject of corporate governance and e-learning provided by The Stock Exchange of Hong Kong Limited (the "HKSE") 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 latest developments on this front.

BOARD MEETINGS

The Board held ten meetings (three Regular Meetings and seven Special Meetings) during the six months ended 30 June 2020.

Regular Meetings

At these 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 Governance matters, including:
  - Annual review of the structure, size and composition of the Board and its corporate governance functions for 2019; annual assessment of (i) the independence of the INEDs; and (ii) the effectiveness of the Company's risk management and internal control systems for 2019;
  - Recommendation of the appointment of a new Member of the Board and re-election of retiring Members of the Board, for approval by shareholders at the 2020 AGM;
  - Approval of the changes to Board Committee composition and annual update to the Directors' Manual; and
  - Receipt and consideration of reports from Management on key matters such as safety, risk management and sustainability;
- Operations:
  - Review of 2019 train service performance;
  - Receipt of updates on the Hung Hom derailment incident that happened in 2019;
  - Contract award for asset replacement; and
  - Receipt of update on a signalling replacement project;
- Consultancy:
  - Approval of the extension and renewal of maintenance contract of the Automated People Mover System with Airport Authority Hong Kong;
- Projects:
  - Receipt of updates on the Shatin to Central Link project and related matters;

- – Receipt of update on the proposal and approval of budget for a consultancy for the Tung Chung Line Extension Project at Lantau North; and
  - – Receipt of updates/review of technical and financial proposals for proposed railway lines under the Railway Development Strategy 2014 ("RDS-2014");
- Mainland China and International Business:
  - – Receipt of business updates on Macau and Mainland China Businesses; and
  - – Approval of contracts/tender submissions for projects in Mainland China and overseas;
- Property:
  - – Approval of tender arrangement for a property development in Hong Kong;
- Commercial and Marketing:
  - – Approval of the Company's fares proposal for 2020 under the Fare Adjustment Mechanism and its implementation; and
  - – Approval of renewal of franchise agreement for station commercial space;
- Financial:
  - – Review and approval of 2019 Annual Report and Accounts; and
  - – Receipt of updates on the financial and other impacts of the coronavirus ("COVID-19") and mitigation measures.

Special Meetings

Seven special meetings were held to consider various matters, including the acquisition of interests in real estate properties in Hong Kong, the Shatin to Central Link project, the handling of the outbreak of COVID-19 and its financial impact on the Company, COVID-19 relief measures for passengers, a new railway project under RDS-2014, and investment projects in Mainland China.

COMMUNICATION WITH SHAREHOLDERS

Annual General Meeting

The Company's 2020 AGM was held on 20 May 2020. The Chairman continued his practice of proposing separate resolutions for each substantially separate matter.

A total of 10 resolutions were passed at the 2020 AGM (with resolution no. 3 comprising four separate resolutions), each supported by over 98% of the votes cast. The full text of the resolutions is set out in the 2020 AGM Circular (which comprised Notice of the 2020 AGM) dated 14 April 2020.

All resolutions at the 2020 AGM were passed by way of a poll, and the poll results were posted on the respective websites of the Company (www.mtr.com.hk) and the HKSE on the same day after the 2020 AGM.

In light of the outbreak of COVID-19 and the Prevention and Control of Disease (Prohibition on Group Gathering) Regulations, the Company implemented a number of precautionary measures for the 2020 AGM, including restricting the number of shareholders who could physically attend the 2020 AGM through pre-registration and requiring submission of questions in advance of the 2020 AGM. For the benefit of the Company's shareholders who were unable to physically attend the 2020 AGM, the Company arranged its first ever live webcast of the AGM with choices of language (Cantonese, English and Putonghua). The webcast of the whole proceedings was also posted on the Company's website in the same evening for viewing.

CONSTITUTIONAL DOCUMENT

The Company's Articles of Association (in both English and Chinese) are available on the websites of both the Company (www.mtr.com.hk) and the HKSE. During the six months ended 30 June 2020, there was no change to the Company's Articles of Association.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, the interests or short positions of the Members of the Board and the Executive Directorate in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code, were as follows:

Members of the Board/ Alternate Directors/ Members of the Executive Directorate	No. of ordinary shares held			No. of share options#	No. of award shares#		Percentage of aggregate interests to total no. of voting shares in issue^Δ
	Personal interests*	Family interests†	Other interests	Personal interests*	Personal interests*	Total interests	
Dr Jacob Kam Chak-pui	312,837	–	–	–	391,618	704,455	0.01144
Dr Pamela Chan Wong Shui	9,072	1,675 (Note 1)	–	–	–	10,747	0.00017
Cheng Yan-kee	–	2,000 (Note 2)	–	–	–	2,000	0.00003
Rose Lee Wai-mun	3,350	–	–	–	–	3,350	0.00005
Lucia Li Li Ka-lai	–	1,614 (Note 3)	2,215 (Note 3)	–	–	3,829	0.00006
Alice Lau Yim	1,116	–	–	–	–	1,116	0.00002
Mak Shing-cheung	558	8,058 (Note 4)	–	–	–	8,616	0.00014
Dr Raymond So Wai-man	–	1,675 (Note 5)	–	–	–	1,675	0.00003
Adi Lau Tin-shing	134,294	–	–	–	105,868	240,162	0.00390
Roger Francis Bayliss	–	–	–	–	60,400	60,400	0.00098
Margaret Cheng Wai-ching	133,371	–	–	–	99,802	233,173	0.00379
Dr Peter Ronald Ewen	99	–	–	–	89,368	89,467	0.00145
Herbert Hui Leung-wah	57,108	2,233 (Note 6)	–	–	93,434	152,775	0.00248
Dr Tony Lee Kar-yun	40,605	–	–	47,500	34,168	122,273	0.00199
Gillian Elizabeth Meller	123,357	–	–	–	91,734	215,091	0.00349
David Tang Chi-fai	211,084	–	–	–	98,885	309,969	0.00503
Jeny Yeung Mei-chun	681,886	–	–	–	99,784	781,670	0.01269

Notes

As at 30 June 2020,

1. *The 1,675 shares were held by Dr Pamela Chan Wong Shui's spouse.*
2. *The 2,000 shares were held by Mr Cheng Yan-kee's spouse.*
3. *The 1,614 shares were held by Mrs Lucia Li Li Ka-lai's spouse and the 2,215 shares were jointly held by Mrs Li and her spouse.*
4. *The 8,058 shares were held by Mr Mak Shing-cheung's spouse.*
5. *The 1,675 shares were held by Dr Raymond So Wai-man's spouse.*
6. *The 2,233 shares were held by Mr Herbert Hui Leung-wah's spouse.*

\# *Details of the share options and award shares are set out in the sections headed "2007 Share Option Scheme" and "Executive Share Incentive Scheme" respectively on pages 44 to 46*

* *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 2020 was 6,159,658,911*

Save as disclosed above and in the sections headed "2007 Share Option Scheme" and "Executive Share Incentive Scheme":

A as at 30 June 2020, no Member of the Board or 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 2020, no Member of the Board or the Executive Directorate of the Company nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them,

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Set out below is the name of the party which was interested in 5% or more of all the Company's voting shares in issue and the number of shares in which it was interested as at 30 June 2020 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 all the voting shares in issue$^{\Delta}$
The Financial Secretary Incorporated ("FSI") (in trust on behalf of Government)	4,634,173,932	75.23%

Δ *The Company's total number of voting shares in issue as at 30 June 2020 was 6,159,658,911*

The Company has been informed by the Hong Kong Monetary Authority that, as at 30 June 2020, approximately 0.33% of the ordinary shares of the Company in issue (not included in the FSI shareholding set out in the above table) were held for the account of the Exchange Fund. The Exchange Fund is a fund established under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) under the control of the Financial Secretary.

OTHER PERSONS' INTERESTS

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

Save as disclosed above and in the sections headed "Directors' Interests in Shares and Underlying Shares of the Company" and "Substantial Shareholders' Interests", as at 30 June 2020, the Company has not been notified of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

2007 SHARE OPTION SCHEME

Movements in the outstanding share options to subscribe for ordinary shares of the Company granted under the 2007 Share Option Scheme during the six months ended 30 June 2020 are set out below:

Members of the Executive Directorate and eligible employees	Date granted	Options granted (Notes 1 to 3)	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2020	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK$)	Options outstanding as at 30 June 2020	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK$)
Adi Lau Tin-shing	30/5/2014	80,000	23/5/2015 – 23/5/2021	26,000	–	–	26,000	28.65	–	42.50
Dr Tony Lee Kar-yun	30/5/2014	71,500	23/5/2015 – 23/5/2021	47,500	–	–	–	28.65	47,500	–
Other eligible employees	6/5/2013	20,331,500	26/4/2014 – 26/4/2020	1,385,500	–	–	1,385,500	31.40	–	42.08
	30/5/2014	19,812,500	23/5/2015 – 23/5/2021	3,450,000	–	–	298,500	28.65	3,151,500	41.77

Notes

1 *No option may be exercised later than seven years after its date of offer and no option may be offered to be granted more than seven years after the adoption of the 2007 Share Option Scheme on 7 June 2007. The 2007 Share Option Scheme expired at 5.00 p.m. on 6 June 2014, with no further option granted since then.*

2 *The exercise price of the share options is determined upon the offer of grant of the options and should not be less than the greatest of (a) the average closing price per share of the Company for the five business days immediately preceding the date of offer of such options; (b) the closing price per share of the Company on the date of offer of such options, which must be a business day; and (c) the nominal value per share of the Company immediately before 3 March 2014.*

3 *The share options granted were subject to a vesting schedule in tranches of one-third each per annum starting from the first anniversary of the date of offer of the options (the "Offer Anniversary") and became fully vested on the third Offer Anniversary.*

EXECUTIVE SHARE INCENTIVE SCHEME

The Company adopted the Executive Share Incentive Scheme on 15 August 2014. 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.

The Remuneration Committee may, from time to time, at its absolute discretion, determine the criteria for any eligible employee to participate in the Executive Share Incentive Scheme as award holders in accordance with the rules of the Executive Share Incentive Scheme. An award holder may be granted an award of Restricted Shares and/or Performance Shares (together, the "Award Shares").

Restricted Shares are awarded to selective eligible employees and vested ratably over three years in equal tranches (unless otherwise determined by the Remuneration Committee). Performance Shares are awarded to eligible employees generally on a three-year performance cycle ("Performance Period"), subject to review and approval by the Remuneration Committee from time to time. The vesting of the Performance Shares is subject to the performance of the Company, assessed by reference to certain pre-determined performance metrics approved by the Board for the relevant Performance Period and such other performance conditions as determined by the Remuneration Committee from time to time.

The Award Shares to be granted under the Executive Share Incentive Scheme are issued ordinary shares in the capital of the Company. In general, the Company will pay to the third party trustee (the "Trustee") monies and may give directions or a recommendation to the Trustee to apply such amount of monies and/or such other net amount of cash derived from the ordinary shares of the Company held as part of the funds of the trust to acquire existing ordinary shares of the Company from the market. Such ordinary shares will be held on trust by the Trustee for the relevant award holders. The Trustee shall not exercise any voting rights in respect of any ordinary shares of the Company held in the trust and no award holder is entitled to instruct the Trustee to exercise the voting rights in respect of any unvested Award Shares.

As part of the overall governance of the Executive Share Incentive Scheme, the Company reviews the scheme features on a regular basis to ensure continued relevance and effectiveness.

The maximum number of Award Shares that may at any time be the subject of an outstanding award granted under the Executive Share Incentive Scheme shall not exceed 2.5% of the number of issued ordinary shares of the Company as at 1 January 2015, the effective date of the Executive Share Incentive Scheme (the "Effective Date").

For the six months ended 30 June 2020, a total of 2,341,700 Award Shares (2019: 2,306,800 Award Shares) were awarded under the Executive Share Incentive Scheme. As at 30 June 2020, a total of 5,961,235 Award Shares (2019: 5,821,942 Award Shares) were neither vested, lapsed nor had been forfeited, representing 0.10% of the issued ordinary shares of the Company (2019: 0.10%) as at the Effective Date.

The particulars of the Award Shares granted are as follows:

Members of the Executive Directorate and eligible employees	Date of award	Types of Award Shares granted		Award Shares outstanding as at 1 January 2020	Award Shares vested during the period	Award Shares lapsed and/or forfeited during the period	Award Shares outstanding as at 30 June 2020
		Restricted Shares	Performance Shares				
Dr Jacob Kam Chak-pui	10/4/2017	22,050	–	7,350	7,350	–	–
	10/4/2018	25,550	50,450	67,484	8,516	–	58,968
	1/4/2019	120,000	–	120,000	–	–	120,000
	8/4/2019	47,400	91,750	139,150	15,800	–	123,350
	8/4/2020	89,300	–	–	–	–	89,300
Adi Lau Tin-shing	10/4/2017	17,700	25,050	5,900	5,900	–	–
	10/4/2018	16,450	50,450	61,417	5,483	–	55,934
	8/4/2019	16,250	–	16,250	5,416	–	10,834
	8/4/2020	39,100	–	–	–	–	39,100
Roger Francis Bayliss	8/4/2019	–	30,150	30,150	–	–	30,150
	8/4/2020	30,250	–	–	–	–	30,250
Margaret Cheng Wai-ching	10/4/2017	16,950	30,400	5,650	5,650	–	–
	10/4/2018	17,600	50,450	62,184	5,866	–	56,318
	8/4/2019	16,550	–	16,550	5,516	–	11,034
	8/4/2020	32,450	–	–	–	–	32,450
Dr Peter Ronald Ewen	10/4/2017	15,050	–	5,018	5,018	–	–
	10/4/2018	12,250	50,450	58,617	4,083	–	54,534
	8/4/2019	12,500	–	12,500	4,166	–	8,334
	8/4/2020	26,500	–	–	–	–	26,500
Herbert Hui Leung-wah	10/4/2017	15,200	30,400	5,068	5,068	–	–
	10/4/2018	14,200	50,450	59,917	4,733	–	55,184
	8/4/2019	13,800	–	13,800	4,600	–	9,200
	8/4/2020	29,050	–	–	–	–	29,050
Dr Tony Lee Kar-yun	10/4/2017	6,800	–	2,268	2,268	–	–
	10/4/2018	7,900	10,500	15,767	2,633	–	13,134
	8/4/2019	8,300	–	8,300	2,766	–	5,534
	8/4/2020	15,500	–	–	–	–	15,500
Gillian Elizabeth Meller	10/4/2017	16,200	–	5,400	5,400	–	–
	10/4/2018	16,050	50,450	61,150	5,350	–	55,800
	8/4/2019	13,400	–	13,400	4,466	–	8,934
	8/4/2020	27,000	–	–	–	–	27,000

Members of the Executive Directorate and eligible employees	Date of award	Types of Award Shares granted: Restricted Shares	Types of Award Shares granted: Performance Shares	Award Shares outstanding as at 1 January 2020	Award Shares vested during the period	Award Shares lapsed and/or forfeited during the period	Award Shares outstanding as at 30 June 2020
David Tang Chi-fai	10/4/2017	17,250	–	5,750	5,750	–	–
	10/4/2018	16,850	50,450	61,684	5,616	–	56,068
	8/4/2019	17,200	–	17,200	5,733	–	11,467
	8/4/2020	31,350	–	–	–	–	31,350
Jeny Yeung Mei-chun	10/4/2017	17,700	–	5,900	5,900	–	–
	10/4/2018	17,350	50,450	62,017	5,783	–	56,234
	8/4/2019	16,350	–	16,350	5,450	–	10,900
	8/4/2020	32,650	–	–	–	–	32,650
Other eligible employees	10/4/2017	2,100,300	26,350	547,682	538,582	9,100	–
	10/4/2018	2,144,750	1,358,800	2,314,805	571,877	116,408	1,626,520
	8/4/2019	1,780,400	122,750	1,835,300	584,478	56,168	1,194,654
	8/4/2020	1,981,600	6,950	–	10,450	3,100	1,975,000

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of the Group's listed securities during the six months ended 30 June 2020. However, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the HKSE a total of 2,020,000 ordinary shares of the Company for a total consideration of approximately HK$86 million during the same period (2019: HK$88 million).

LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

As at 30 June 2020, the Group had borrowings of HK$37,079 million (2019: HK$30,096 million) with maturities ranging from 2020 to 2055 and undrawn committed banking facilities of HK$8,504 million (2019: HK$6,271 million), which were subject to the condition that Government, being the Company's controlling shareholder, owns more than half of all the Company's voting shares in issue. Failure to satisfy such condition may result in immediate repayment of the borrowings being demanded and cancellation of the undrawn committed banking facilities.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Company's shareholders' entitlement to the 2020 interim dividend, the Register of Members of the Company was closed from 21 August 2020 to 26 August 2020 (both dates inclusive), during which time no transfers of shares in the Company were effected. To qualify for the 2020 interim dividend, all completed transfer documents, accompanied by the relevant share certificates, must be lodged 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 20 August 2020 (Hong Kong time). The 2020 interim dividend, with a scrip dividend option (except for shareholders with registered addresses in New Zealand or the United States of America or any of its territories or possessions), is expected to be distributed on 9 October 2020 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 26 August 2020.

UNAUDITED INTERIM FINANCIAL REPORT
CONSOLIDATED PROFIT AND LOSS ACCOUNT

in HK$ million	Note	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Revenue from Hong Kong transport operations		**6,234**	10,690
Revenue from Hong Kong station commercial businesses		**1,809**	3,555
Revenue from Hong Kong property rental and management businesses		**2,582**	2,635
Revenue from Mainland of China and international railway, property rental and management subsidiaries	2	**10,465**	10,558
Revenue from other businesses		**502**	834
		21,592	28,272
Revenue from Mainland of China property development	2	**–**	–
Total revenue		**21,592**	28,272
Expenses relating to Hong Kong transport operations			
– Staff costs and related expenses		**(3,196)**	(3,233)
– Maintenance and related works		**(1,061)**	(981)
– Energy and utilities		**(811)**	(891)
– General and administration expenses		**(394)**	(342)
– Railway support services		**(179)**	(333)
– Stores and spares consumed		**(256)**	(260)
– Government rent and rates		**(116)**	(137)
– Other expenses		**(115)**	(167)
		(6,128)	(6,344)
Expenses relating to Hong Kong station commercial businesses		**(260)**	(328)
Expenses relating to Hong Kong property rental and management businesses		**(379)**	(395)
Expenses relating to Mainland of China and international railway, property rental and management subsidiaries	2	**(10,156)**	(9,886)
Expenses relating to other businesses	13B(c)(ii)	**(564)**	(2,737)
Project study and business development expenses		**(104)**	(171)
		(17,591)	(19,861)
Expenses relating to Mainland of China property development	2	**(4)**	(10)
Operating expenses before depreciation, amortisation and variable annual payment		**(17,595)**	(19,871)
Operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment			
– Arising from recurrent businesses		**4,001**	8,411
– Arising from Mainland of China property development		**(4)**	(10)
		3,997	8,401
Profit on Hong Kong property development	4	**6,168**	898
Operating profit before depreciation, amortisation and variable annual payment		**10,165**	9,299
Depreciation and amortisation		**(2,613)**	(2,592)
Variable annual payment		**(457)**	(1,506)
Share of profit/(loss) of associates and joint venture	6	**217**	(74)
Profit before interest, finance charges and taxation		**7,312**	5,127
Interest and finance charges	5	**(499)**	(442)
Investment property revaluation (loss)/gain	11A	**(5,967)**	2,066
Profit before taxation		**846**	6,751
Income tax	7	**(1,157)**	(1,147)
(Loss)/profit for the period		**(311)**	5,604
Attributable to:			
– Shareholders of the Company		**(334)**	5,506
– Non-controlling interests		**23**	98
(Loss)/profit for the period		**(311)**	5,604
(Loss)/profit for the period attributable to shareholders of the Company:			
– Arising from recurrent businesses		**433**	2,665
– Arising from property development		**5,200**	775
– Arising from underlying businesses		**5,633**	3,440
– Arising from investment property revaluation		**(5,967)**	2,066
		(334)	5,506
(Loss)/earnings per share:	9		
– Basic		**(HK$0.05)**	HK$0.90
– Diluted		**(HK$0.05)**	HK$0.90

The notes on pages 52 to 71 form part of this interim financial report.
Details of dividends payable to shareholders of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in HK$ million	Note	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
(Loss)/profit for the period		**(311)**	5,604
Other comprehensive (loss)/income for the period (after taxation and reclassification adjustments):			
Item that will not be reclassified to profit or loss:			
– (Loss)/surplus on revaluation of self-occupied land and buildings		**(164)**	63
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of:			
– financial statements of subsidiaries, associates and joint venture outside Hong Kong		**(268)**	(59)
– non-controlling interests		**(20)**	(6)
– Cash flow hedges: net movement in hedging reserve		**(8)**	128
		(296)	63
	10	**(460)**	126
Total comprehensive (loss)/income for the period		**(771)**	5,730
Attributable to:			
– Shareholders of the Company		**(774)**	5,638
– Non-controlling interests		**3**	92
Total comprehensive (loss)/income for the period		**(771)**	5,730

The notes on pages 52 to 71 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in HK$ million	Note	**At 30 June 2020 (Unaudited)**	At 31 December 2019 (Audited)
Assets			
Fixed assets			
– Investment properties	11A	**89,017**	91,712
– Other property, plant and equipment	11B	**101,928**	102,632
– Service concession assets	12	**31,269**	31,261
		222,214	225,605
Goodwill and property management rights		**74**	77
Property development in progress	14	**11,990**	12,022
Deferred expenditure		**2,045**	1,948
Interests in associates and joint venture		**10,418**	10,359
Deferred tax assets	21	**186**	134
Investments in securities		**219**	386
Properties held for sale	15	**2,035**	1,245
Derivative financial assets	16	**431**	198
Stores and spares		**1,909**	1,844
Debtors and other receivables	17	**13,998**	11,169
Amounts due from related parties	18	**3,998**	3,041
Cash, bank balances and deposits		**18,098**	21,186
		287,615	289,214
Liabilities			
Bank overdrafts		**11**	–
Short-term loans		**765**	3,371
Creditors, other payables and provisions	19	**34,451**	33,315
Current taxation		**1,243**	2,024
Amounts due to related parties	18	**5,587**	2,990
Loans and other obligations	20	**40,844**	36,085
Obligations under service concession		**10,311**	10,350
Derivative financial liabilities	16	**630**	408
Loan from holders of non-controlling interests		**140**	144
Deferred tax liabilities	21	**13,612**	13,729
		107,594	102,416
Net assets		**180,021**	186,798
Capital and reserves	22		
Share capital		**58,867**	58,804
Shares held for Executive Share Incentive Scheme		**(265)**	(263)
Other reserves		**121,224**	128,065
Total equity attributable to shareholders of the Company		**179,826**	186,606
Non-controlling interests		**195**	192
Total equity		**180,021**	186,798

The notes on pages 52 to 71 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 2020 (Unaudited)											
Balance as at 1 January 2020 (Audited)		**58,804**	**(263)**	**3,936**	**221**	**160**	**(1,132)**	**124,880**	**186,606**	**192**	**186,798**
Changes in equity for the six months ended 30 June 2020:											
– (Loss)/profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**(334)**	**(334)**	**23**	**(311)**
– Other comprehensive loss for the period		**–**	**–**	**(164)**	**(8)**	**–**	**(268)**	**–**	**(440)**	**(20)**	**(460)**
– Total comprehensive (loss)/income for the period		**–**	**–**	**(164)**	**(8)**	**–**	**(268)**	**(334)**	**(774)**	**3**	**(771)**
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		**–**	**–**	**–**	**2**	**–**	**–**	**–**	**2**	**–**	**2**
– 2019 final ordinary dividend	8	**–**	**–**	**–**	**–**	**–**	**–**	**(6,036)**	**(6,036)**	**–**	**(6,036)**
– Shares purchased for Executive Share Incentive Scheme	22E	**–**	**(86)**	**–**	**–**	**–**	**–**	**–**	**(86)**	**–**	**(86)**
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	22F	**6**	**84**	**–**	**–**	**(90)**	**–**	**–**	**–**	**–**	**–**
– Employee share-based payments		**–**	**–**	**–**	**–**	**61**	**–**	**–**	**61**	**–**	**61**
– Employee share options exercised	22C	**57**	**–**	**–**	**–**	**(4)**	**–**	**–**	**53**	**–**	**53**
Balance as at 30 June 2020		**58,867**	**(265)**	**3,772**	**215**	**127**	**(1,400)**	**118,510**	**179,826**	**195**	**180,021**
31 December 2019 (Audited)											
Balance as at 1 January 2019 (Audited)		57,970	(265)	3,815	(26)	142	(788)	119,591	180,439	172	180,611
Changes in equity for the six months ended 30 June 2019:											
– Profit for the period		–	–	–	–	–	–	5,506	5,506	98	5,604
– Other comprehensive income for the period		–	–	63	128	–	(59)	–	132	(6)	126
– Total comprehensive income for the period		–	–	63	128	–	(59)	5,506	5,638	92	5,730
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	4	–	–	–	4	–	4
– 2018 final ordinary dividend	8	–	–	–	–	–	–	(5,835)	(5,835)	–	(5,835)
– Shares purchased for Executive Share Incentive Scheme	22E	–	(88)	–	–	–	–	–	(88)	–	(88)
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme	22F	5	88	–	–	(93)	–	–	–	–	–
– Ordinary dividends paid to holders of non-controlling interests		–	–	–	–	–	–	–	–	(34)	(34)
– Employee share-based payments		–	–	–	–	63	–	–	63	–	63
– Employee share options exercised	22C	79	–	–	–	(6)	–	–	73	–	73
Balance as at 30 June 2019		58,054	(265)	3,878	106	106	(847)	119,262	180,294	230	180,524
Changes in equity for the six months ended 31 December 2019:											
– Profit for the period		–	–	–	–	–	–	6,426	6,426	62	6,488
– Other comprehensive income for the period		–	–	58	116	–	(285)	730	619	(9)	610
– Total comprehensive income for the period		–	–	58	116	–	(285)	7,156	7,045	53	7,098
– Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	(1)	–	–	–	(1)	–	(1)
– Shares issued in respect of scrip dividend of 2018 final ordinary dividend		654	(2)	–	–	–	–	2	654	–	654
– 2019 interim ordinary dividend	8	–	–	–	–	–	–	(1,539)	(1,539)	–	(1,539)
– Shares issued in respect of scrip dividend of 2019 interim ordinary dividend		71	(1)	–	–	–	–	1	71	–	71
– Vesting and forfeiture of award shares of Executive Share Incentive Scheme		–	5	–	–	(3)	–	(2)	–	–	–
– Ordinary dividends paid to holders of non-controlling interests		–	–	–	–	–	–	–	–	(91)	(91)
– Employee share-based payments		–	–	–	–	59	–	–	59	–	59
– Employee share options exercised		25	–	–	–	(2)	–	–	23	–	23
Balance as at 31 December 2019 (Audited)		58,804	(263)	3,936	221	160	(1,132)	124,880	186,606	192	186,798

The notes on pages 52 to 71 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

in HK$ million	Note	**Six months ended 30 June 2020 (Unaudited)**		Six months ended 30 June 2019 (Unaudited)	
Cash flows from operating activities					
Cash generated from operations	24	**2,244**		9,964	
Receipt of government subsidy for Shenzhen Metro Longhua Line operation		**587**		608	
Purchase of tax reserve certificates		**(57)**		(7)	
Current tax paid					
– Hong Kong Profits Tax paid		**(1,930)**		(308)	
– Tax paid outside Hong Kong		**(142)**		(214)	
Net cash generated from operating activities			**702**		10,043
Cash flows from investing activities					
Capital expenditure					
– Purchase of assets for Hong Kong transport and related operations		**(2,805)**		(2,614)	
– Hong Kong railway extension projects		**(77)**		(175)	
– Investment property projects and fitting out work		**(3,285)**		(112)	
– Other capital projects		**(139)**		(91)	
Variable annual payment		**(2,583)**		(2,305)	
Receipts in respect of property development		**3,535**		4,580	
Payments in respect of property development		**(212)**		(357)	
Decrease/(increase) in bank deposits with more than three months to maturity when placed or pledged		**3,578**		(3,797)	
Distribution from/(investments in) associates and joint venture		**25**		(679)	
Others		**161**		(189)	
Net cash used in investing activities			**(1,802)**		(5,739)
Cash flows from financing activities					
Proceeds from shares issued under share option schemes		**53**		73	
Purchase of shares for Executive Share Incentive Scheme		**(86)**		(88)	
Proceeds from loans and capital market instruments		**12,235**		7,761	
Repayment of loans and capital market instruments		**(9,963)**		(11,643)	
Interest and finance charges paid		**(490)**		(539)	
Interest received		**135**		91	
Capital element of lease rentals paid		**(100)**		(78)	
Dividends paid to holders of non-controlling interests		**–**		(34)	
Net cash generated from/(used in) financing activities			**1,784**		(4,457)
Net increase/(decrease) in cash and cash equivalents			**684**		(153)
Cash and cash equivalents at 1 January			**8,346**		8,865
Effect of exchange rate changes			**(205)**		(54)
Cash and cash equivalents at 30 June			**8,825**		8,658
Analysis of the balances of cash and cash equivalents					
Cash, bank balances and deposits on the consolidated statement of financial position			**18,098**		21,617
Bank deposits with more than three months to maturity when placed or pledged			**(9,262)**		(12,954)
Bank overdrafts			**(11)**		(5)
Cash and cash equivalents in the consolidated cash flow statement			**8,825**		8,658

The notes on pages 52 to 71 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 Basis of Preparation

This interim financial report is unaudited but has been reviewed by 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 independent review report to the Board of Directors is set out on page 32. In addition, this interim financial report has been reviewed by the Company's Audit 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 accounts 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 interest in associates and joint venture since the issuance of the 2019 annual accounts. The condensed consolidated interim accounts and notes thereon do not include all of the information required for a complete set of accounts prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2019 included in this interim financial report as comparative information does not constitute the Company's statutory annual consolidated accounts for that financial year but is derived from those accounts. Further information relating to these statutory accounts 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 accounts for the year ended 31 December 2019 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 accounts. 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 section 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 2019 annual accounts.

2 Revenue and Expenses relating to Mainland of China and International Subsidiaries

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

	Six months ended 30 June 2020		Six months ended 30 June 2019	
in HK$ million	Revenue	Expenses	Revenue	Expenses
Melbourne Train	**5,055**	**4,959**	5,526	5,194
Sydney Metro Northwest	**298**	**354**	711	689
Sydney Metro City & Southwest	**979**	**979**	–	–
MTR Nordic	**2,257**	**2,245**	2,408	2,466
TfL Rail/Elizabeth Line	**1,123**	**985**	1,040	953
Shenzhen Metro Longhua Line	**220**	**224**	368	277
Others	**533**	**410**	505	307
	10,465	**10,156**	10,558	9,886
Property development in Mainland of China	**–**	**4**	–	10
Total Mainland of China and international subsidiaries	**10,465**	**10,160**	10,558	9,896

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, Mainland of China and international railway, property rental and management businesses and other businesses) 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 the border of Mainland of 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 the Mainland of 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 and bandwidth services in railway premises and other commercial activities within the Hong Kong transport operations network.

(iii) Hong Kong property rental and management businesses: The letting of retail, office and car parking spaces and the provision of estate management services in Hong Kong.

(iv) Hong Kong property development: Property development activities at locations near the railway systems in Hong Kong.

(v) Mainland of China and international railway, property rental and management businesses: The construction, operation and maintenance of mass transit railway systems including station commercial activities outside of Hong Kong and the letting of retail spaces and provision of estate management services in the Mainland of China.

(vi) Mainland of China property development: Property development activities in the Mainland of 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 and the provision of project management services to the Government of the Hong Kong Special Administrative Region (the "HKSAR Government").

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

					Mainland of 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 of China and international railway, property rental and management businesses	Mainland of China property development	Other businesses	Un-allocated amount	Total
Six months ended 30 June 2020									
Revenue from contracts with customers within the scope of HKFRS 15	6,234	634	151	–	10,403	–	502	–	17,924
– Recognised at a point in time	5,738	17	–	–	385	–	34	–	6,174
– Recognised over time	496	617	151	–	10,018	–	468	–	11,750
Revenue from other sources	–	1,175	2,431	–	62	–	–	–	3,668
Total revenue	6,234	1,809	2,582	–	10,465	–	502	–	21,592
Operating expenses	(6,128)	(260)	(379)	–	(10,156)	(4)	(564)	–	(17,491)
Project study and business development expenses	–	–	–	–	(53)	–	–	(51)	(104)
Operating profit/(loss) before Hong Kong property development, depreciation, amortisation and variable annual payment	106	1,549	2,203	–	256	(4)	(62)	(51)	3,997
Profit on Hong Kong property development	–	–	–	6,168	–	–	–	–	6,168
Operating profit/(loss) before depreciation, amortisation and variable annual payment	106	1,549	2,203	6,168	256	(4)	(62)	(51)	10,165
Depreciation and amortisation	(2,344)	(101)	(8)	–	(127)	–	(33)	–	(2,613)
Variable annual payment	(341)	(114)	(2)	–	–	–	–	–	(457)
Share of profit of associates and joint venture	–	–	–	–	115	–	102	–	217
(Loss)/profit before interest, finance charges and taxation	(2,579)	1,334	2,193	6,168	244	(4)	7	(51)	7,312
Interest and finance charges	–	–	–	–	(42)	38	–	(495)	(499)
Investment property revaluation loss	–	–	(5,900)	–	(67)	–	–	–	(5,967)
Income tax	–	–	–	(997)	(37)	(5)	–	(118)	(1,157)
(Loss)/profit for the six months ended 30 June 2020	(2,579)	1,334	(3,707)	5,171	98	29	7	(664)	(311)

3 Segmental Information *(continued)*

					Mainland of 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 of China and international railway, property rental and management businesses	Mainland of China property development	Other businesses	Un-allocated amount	Total
Six months ended 30 June 2019									
Revenue from contracts with customers within the scope of HKFRS 15	10,690	1,059	143	–	10,388	–	825	–	23,105
– Recognised at a point in time	10,308	23	–	–	591	–	231	–	11,153
– Recognised over time	382	1,036	143	–	9,797	–	594	–	11,952
Revenue from other sources	–	2,496	2,492	–	170	–	9	–	5,167
Total Revenue	10,690	3,555	2,635	–	10,558	–	834	–	28,272
Operating expenses	(6,344)	(328)	(395)	–	(9,886)	(10)	(2,737)	–	(19,700)
Project study and business development expenses	–	–	–	–	(142)	–	–	(29)	(171)
Operating profit/(loss) before Hong Kong property development, depreciation, amortisation and variable annual payment	4,346	3,227	2,240	–	530	(10)	(1,903)	(29)	8,401
Profit on Hong Kong property development	–	–	–	898	–	–	–	–	898
Operating profit/(loss) before depreciation, amortisation and variable annual payment	4,346	3,227	2,240	898	530	(10)	(1,903)	(29)	9,299
Depreciation and amortisation	(2,346)	(93)	(8)	–	(112)	–	(33)	–	(2,592)
Variable annual payment	(1,048)	(455)	(3)	–	–	–	–	–	(1,506)
Share of (loss)/profit of associates and joint venture	–	–	–	–	(194)	–	120	–	(74)
Profit/(loss) before interest, finance charges and taxation	952	2,679	2,229	898	224	(10)	(1,816)	(29)	5,127
Interest and finance charges	–	–	–	–	(24)	38	–	(456)	(442)
Investment property revaluation gain/(loss)	–	–	2,110	–	(44)	–	–	–	2,066
Income tax	–	–	–	(148)	(98)	(3)	–	(898)	(1,147)
Profit/(loss) for the six months ended 30 June 2019	952	2,679	4,339	750	58	25	(1,816)	(1,383)	5,604

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 2020**	Six months ended 30 June 2019
Hong Kong SAR (place of domicile)	**11,100**	17,689
Australia	**6,332**	6,237
Mainland of China and Macao SAR	**775**	895
Sweden	**2,257**	2,408
United Kingdom	**1,128**	1,043
	10,492	10,583
	21,592	28,272

4 Profit on Hong Kong Property Development

Profit on Hong Kong property development comprises:

in HK$ million	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Share of surplus, income and interest in unsold properties from property development	**6,171**	849
Agency fee and other income from West Rail property development	**14**	83
Overheads and miscellaneous studies	**(17)**	(34)
	6,168	898

5 Interest and Finance Charges

Interest and finance charges comprise:

in HK$ million	Six months ended 30 June 2020		Six months ended 30 June 2019	
Interest expenses in respect of:				
– Bank loans, overdrafts and capital market instruments	**530**		523	
– Obligations under service concession	**348**		350	
– Lease liabilities	**27**		32	
– Others	**12**		11	
Finance charges	**32**		23	
Exchange gain	**(95)**		(15)	
		854		924
Utilisation of government subsidy for Shenzhen Metro Longhua Line operation		**(30)**		(38)
Derivative financial instruments:				
– Fair value hedges	**4**		–	
– Cash flow hedges:				
– transferred from hedging reserve to interest expenses	**(14)**		(14)	
– transferred from hedging reserve to offset exchange gain	**93**		23	
– Hedge of net investments:				
– ineffective portion	**(1)**		(1)	
– Derivatives not adopted hedge accounting	**8**		(1)	
		90		7
Interest expenses capitalised		**(189)**		(213)
		725		680
Interest income in respect of:				
– Deposits with banks	**(132)**		(231)	
– Others	**(94)**		(7)	
		(226)		(238)
		499		442

6 Share of Profit/(Loss) of Associates and Joint Venture

Share of profit/(loss) of associates and joint venture comprises:

in HK$ million	Six months ended 30 June 2020	Six months ended 30 June 2019
Share of profit before taxation	**311**	84
Share of income tax expenses	**(94)**	(158)
	217	(74)

In March 2017, the Department for Transport of the United Kingdom ("DfT") awarded the South Western Railway franchise ("Franchise") to First MTR South Western Trains Limited ("SWR"), an associate of the Company which the Company holds a 30% shareholding and FirstGroup plc in the United Kingdom holds a 70% shareholding. Pursuant to a franchise agreement ("Franchise Agreement") with DfT, the period of the Franchise runs from 20 August 2017 for seven years, with an option for an eleven month extension at the discretion of the DfT.

As noted in the Company's previous annual accounts, the financial performance of SWR has been impacted by a number of adverse factors (and this has continued since March 2019). SWR continues to be engaged in discussions with the DfT and relevant third parties to agree potential commercial and contractual remedies and there is a range of potential outcomes. Given the level of uncertainty in these outcomes and the potential financial impact of some of the possible scenarios, the Franchise Agreement has been considered as an onerous contract since 2019.

As such, a provision of GBP43 million (HK$436 million) had been made under "share of profit/(loss) of associates and joint venture" in the consolidated profit and loss account for the six months ended 30 June 2019 which represented the Company's 30% share of the maximum potential loss under the Franchise Agreement.

7 Income Tax

Income tax in the consolidated profit and loss account represents:

in HK$ million	Six months ended 30 June 2020	Six months ended 30 June 2019
Current tax		
– Hong Kong Profits Tax	1,200	1,055
– Tax outside Hong Kong	94	162
	1,294	1,217
Less: Utilisation of government subsidy for Shenzhen Metro Longhua Line operation	–	(31)
	1,294	1,186
Deferred tax		
– Origination and reversal of temporary differences on:		
– tax losses	(32)	(32)
– depreciation allowances in excess of related depreciation	(35)	(32)
– revaluation of properties	–	(3)
– provisions and others	(70)	28
	(137)	(39)
	1,157	1,147

Current tax provision for Hong Kong Profits Tax for the six months ended 30 June 2020 is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the period after deducting accumulated tax losses brought forward, if any. Current taxes for subsidiaries outside Hong Kong are charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

The Company is a qualifying corporation under the two-tiered Profits Tax rate regime in Hong Kong. Under the two-tiered Profits Tax rate regime, the 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 2019.

Provision for deferred tax on temporary differences arising in Hong Kong is calculated at the Hong Kong Profits Tax rate at 16.5% (2019: 16.5%), while that arising outside Hong Kong is calculated at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

Details of the tax reserve certificates in respect of Hong Kong Profits Tax purchased by the Company are set out in note 17 to this interim financial report.

8 Dividends

Ordinary dividends paid and proposed to shareholders of the Company comprise:

in HK$ million	Six months ended 30 June 2020	Six months ended 30 June 2019
Ordinary dividends attributable to the period		
– Interim ordinary dividend declared after the reporting period of HK$0.25 (2019: HK$0.25) per share	1,540	1,539
Ordinary dividends attributable to the previous year		
– Final ordinary dividend of HK$0.98 (2019: HK$0.95 per share attributable to year 2018) per share approved and payable/paid during the period	6,036	5,835

The Company has recognised 2019 final ordinary dividend payable of HK$4,541 million to the Financial Secretary Incorporated (the "FSI") of the HKSAR Government and HK$1,495 million to other shareholders in the amounts due to related parties (note 18) and creditors, other payables and provisions (note 19) respectively in the consolidated statement of financial position as at 30 June 2020.

9 (Loss)/Earnings Per Share

A Basic (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders for the six months ended 30 June 2020 of HK$334 million (2019: profit of HK$5,506 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 2020	Six months ended 30 June 2019
Issued ordinary shares at 1 January	6,157,948,911	6,139,485,589
Effect of share options exercised	821,528	1,305,985
Less: Shares held for Executive Share Incentive Scheme	(5,541,611)	(5,623,421)
Weighted average number of ordinary shares less shares held for Executive Share Incentive Scheme at 30 June	6,153,228,828	6,135,168,153

9 (Loss)/Earnings Per Share *(continued)*

B Diluted (Loss)/Earnings Per Share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to shareholders for the six months ended 30 June 2020 of HK$334 million (2019: profit of HK$5,506 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 share option scheme and Executive Share Incentive Scheme, which is calculated as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
	6,153,228,828	6,135,168,153
Effect of dilutive potential shares under the share option scheme	**–**	2,494,987
Effect of shares awarded under Executive Share Incentive Scheme	**–**	5,780,265
Weighted average number of shares (diluted) at 30 June	**6,153,228,828**	6,143,443,405

The effect of the Group's share option scheme (1,275,714 shares) and Executive Share Incentive Scheme (5,790,973 shares) are anti-dilutive for the six months ended 30 June 2020 since they would result in a decrease in the loss per share.

C Both basic and diluted earnings per share would have been HK$0.92 (2019: HK$0.56) if the calculation is based on profit attributable to shareholders of the Company arising from underlying businesses of HK$5,633 million (2019: HK$3,440 million).

10 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 2020			Six months ended 30 June 2019		
in HK$ million	Before-tax amount	Tax credit	Net-of-tax amount	Before-tax amount	Tax expense	Net-of-tax amount
Exchange differences on translation of:						
– Financial statements of overseas subsidiaries, associates and joint venture	**(268)**	**–**	**(268)**	(59)	–	(59)
– Non-controlling interests	**(20)**	**–**	**(20)**	(6)	–	(6)
	(288)	**–**	**(288)**	(65)	–	(65)
(Loss)/surplus on revaluation of self-occupied land and buildings (note 11B)	**(197)**	**33**	**(164)**	75	(12)	63
Cash flow hedges: net movement in hedging reserve (note 10B)	**(9)**	**1**	**(8)**	154	(26)	128
Other comprehensive (loss)/income	**(494)**	**34**	**(460)**	164	(38)	126

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 2020**	Six months ended 30 June 2019
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**(92)**	143
Amounts transferred to profit or loss:		
– Interest and finance charges (note 5)	**79**	9
– Other expenses	**4**	2
Deferred tax on the above items	**1**	(26)
	(8)	128

11 Investment Properties and Other Property, Plant and Equipment

A Investment Properties

Investment properties of the Group in Hong Kong and Mainland of China were revalued at the reporting date by Colliers International (Hong Kong) Limited (31 December 2019: Jones Lang LaSalle 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.

Based on the valuations, the Group recognised the net decrease in fair value of HK$5,967 million for the six months ended 30 June 2020 (2019: net increase of HK$2,066 million) under investment property revaluation in the consolidated profit and loss account. Investment properties are revalued semi-annually and future market condition changes may result in further gains or losses to be recognised through profit and loss account in subsequent periods.

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

B Other Property, Plant and Equipment

(i) Acquisitions and Disposals of Owned Assets

During the six months ended 30 June 2020, the Group acquired or commissioned assets (other than right-of-use assets) at a total cost of HK$1,577 million (2019: HK$1,406 million).

(ii) Valuation

All of the Group's self-occupied land and buildings are held in Hong Kong under medium-term leases and carried at fair value. All self-occupied land and buildings were revalued by using primarily the direct comparison approach assuming sale of properties in their existing state with vacant possession at the reporting date by Colliers International (Hong Kong) Limited (31 December 2019: Jones Lang LaSalle Limited). The valuation resulted in a revaluation loss of HK$197 million (2019: gain of HK$75 million), which, net of deferred tax credit of HK$33 million (2019: deferred tax provision of HK$12 million), has been recognised in other comprehensive income and accumulated in the fixed assets revaluation reserve account (note 10A).

C Right-of-use Assets

During the six months ended 30 June 2020, additions to right-of-use assets were HK$3,337 million. This amount primarily related to additions of leasehold investment properties of HK$3,286 million.

12 Service Concession Assets

During the six months ended 30 June 2020, the Group incurred HK$795 million (2019: HK$1,065 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$26 million (2019: HK$11 million) and HK$1 million (2019: HK$nil) of expenditure for the replacement and upgrade of the concession property of the High Speed Rail ("Additional Concession Property (High Speed Rail)") and the Tuen Ma Line Phase 1 ("Additional Concession Property (Tuen Ma Line)"), respectively, under the supplemental service concession arrangements with KCRC, and HK$10 million (2019: HK$3 million) of expenditure for asset additions in respect of Shenzhen Metro Longhua Line ("SZL4").

SZL4 forms part of the Shenzhen Metro, which is operated by a wholly-owned subsidiary, MTR Corporation (Shenzhen) Limited ("MTRSZ"). There has been no increase in fare since MTRSZ started operating the line in 2010. In July 2020, the Shenzhen Municipal Government has publicised a fare adjustment framework for Shenzhen Metro network which will take effect on 1 January 2021. The framework sets out the mechanism of fare setting and the procedures of fare adjustment. Based on progress of the fare adjustment made to date, no impairment loss is recognised at 30 June 2020. If suitable fare increase and adjustment mechanism are not implemented, the long-term financial viability of SZL4 is expected to be impacted.

13 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) HSR Preliminary Entrustment Agreement

On 24 November 2008, the HKSAR Government and the Company entered into an entrustment agreement for the design of and site investigation and procurement activities in relation to the HSR (the **"HSR Preliminary Entrustment Agreement"**). 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.

(b) HSR Entrustment Agreement

In 2009, the HKSAR Government decided that the Company should be asked to proceed with the construction, testing and commissioning of the HSR on the understanding that the Company would subsequently be invited to undertake the operation of the HSR under the service concession approach. On 26 January 2010, the HKSAR Government and the Company entered into another entrustment agreement for the construction, and commissioning of the HSR (the **"HSR Entrustment Agreement"**). 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). As of 30 June 2020, the Company had received full payment of the HSR Project Management Fee from the HKSAR Government.

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 HSR Preliminary Entrustment Agreement and the HSR Entrustment Agreement (other than for death or personal injury) is subject to a cap equal to the 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

13 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)*

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 HSR Entrustment Agreement (as more particularly described in note 13A(c)(iv) below), up to the date of this interim report, no claim has been received from the HKSAR Government.

In April 2014, the Company announced that the construction period for the HSR project needed to be extended, with the target opening of the line for passenger service revised to the end of 2017.

On 30 June 2015, the Company reported to the HKSAR Government that the Company estimated:

- the HSR would be completed in the third quarter of 2018 (including programme contingency of six months) (the **"HSR Revised Programme"**); and
- the total project cost of HK$85.3 billion (including contingency), based on the HSR Revised Programme.

As a result of adjustments being made to certain elements of the Company's estimated project cost of 30 June 2015, the HKSAR Government and the Company reached agreement that the estimated project cost be reduced to HK$84.42 billion (the **"Revised Cost Estimate"**). Further particulars relating to the Revised Cost Estimate are set out in notes 13A(c) and (e) below.

(c) HSR Agreement

On 30 November 2015, the HKSAR Government and the Company entered into an agreement (the **"HSR Agreement"**) relating to the further funding and completion of the HSR. The HSR Agreement contains an integrated package of terms (subject to conditions as set out in note 13A(c)(vi) below) and provides that:

(i) The HKSAR Government will bear and finance the project cost up to HK$84.42 billion (which includes the original budgeted cost of HK$65 billion plus the agreed increase in the estimated project cost of HK$19.42 billion (the portion of the entrustment cost (up to HK$84.42 billion) that exceeds HK$65 billion being the **"Current Cost Overrun"**));

(ii) The Company will, if the project 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 will pay a special dividend in cash of HK$4.40 in aggregate per share in two equal tranches (of HK$2.20 per share in cash in each tranche) (**"Special Dividend"**). The first tranche was paid on 13 July 2016 and the second tranche was paid on 12 July 2017;

(iv) 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 HSR Preliminary Entrustment Agreement and HSR Entrustment Agreement (**"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. Under the HSR Entrustment Agreement, the Liability Cap is equal to the HSR Project Management Fee and any other fees that the Company receives under HSR Entrustment Agreement and certain fees received by the Company under the Preliminary Entrustment Agreement. Accordingly, the Liability Cap increases from up to HK$4.94 billion to up to HK$6.69 billion as the HSR Project Management Fee is increased in accordance with the HSR Agreement (as it will be equal to the increased HSR Project Management Fee under the HSR Entrustment Agreement of HK$6.34 billion plus the additional fees referred to above). 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;

(v) Certain amendments are made to the HSR Entrustment Agreement to reflect the arrangements contained in the HSR Agreement, including an increase in HSR Project Management Fee payable to the Company under HSR Entrustment Agreement to an aggregate of HK$6.34 billion (which reflects the estimate of the Company's expected internal costs in performing its obligations under HSR Entrustment Agreement in relation to HSR project) and to reflect the HSR Revised Programme;

(vi) The arrangements under the HSR Agreement (including the payment of the Special Dividend) were conditional on:

- independent shareholder approval (which was sought at the General Meeting held on 1 February 2016); and
- Legislative Council approval in respect of the HKSAR Government's additional funding obligations.

The HSR Agreement (and the Special Dividend) was approved by the Company's independent shareholders at the General Meeting held on 1 February 2016 and became unconditional upon approval by the Legislative Council on 11 March 2016 of the HKSAR Government's additional funding obligations.

13 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)*

(d) Operations of HSR

On 23 August 2018, the Company and KCRC entered into the supplemental service concession agreement for the HSR (**"SSCA-HSR"**) to supplement the Service Concession Agreement dated 9 August 2007 in order for KCRC to grant a concession to the Company in respect of the HSR and to prescribe the operational and financial requirements that will apply to the HSR. The commercial operation of HSR began on 23 September 2018.

(e) Based on the Company's latest review of the Revised Cost Estimate for the agreed scope of the project and having taken account of the opinion of independent experts including one on the review of the Revised Cost Estimate, the Company believes that, although the latest final project cost is likely to come close to the Revised Cost Estimate, the Revised Cost Estimate is still achievable and there is no current need to revise further such estimate. However, the final project cost can only be ascertained upon finalisation of all contracts, some of which will involve the resolution of commercial issues and may take several years to reach settlement based on past experience.

Having considered the number of contracts yet to be finalised and the contingency allowance currently available, there can be no absolute assurance that the final project cost will not exceed the Revised Cost Estimate, particularly if unforeseen difficulties arise in the resolution of commercial issues during the process of negotiating the final accounts. In such case, under the terms of the HSR Agreement, the Company will be required to bear and finance the portion of the project cost that exceeds the Revised Cost Estimate (if any) except for certain agreed excluded costs (as more particularly described in note 13A(c)(ii) above).

(f) The Company has not made any provision in its accounts 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. However, the final project cost can only be ascertained upon finalisation of all contracts, some of which will involve the resolution of commercial issues and may take several years to reach settlement;

(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 13A(c)(iv) above), given that (a) the Company has not received any notification from the HKSAR Government of any claim by the HKSAR Government against the Company or of any referral by the HKSAR Government to arbitration (which, as a result of the HSR Agreement, cannot take place until after commencement of commercial operations on the HSR) (as of 30 June 2020 and up to the date of this interim report); (b) the Company has the benefit of the Liability Cap; and (c) as a result of the HSR Agreement, the Company will not make any payment to the HKSAR Government in excess of the Liability Cap pursuant to a determination of the arbitrator without the approval of its independent shareholders; and

(iii) where applicable, because the Company is not able to measure with sufficient reliability the amount of the Company's obligation or liability (if any).

(g) During the six months ended 30 June 2020, no HSR Project Management Fee (2019: HK$57 million) was recognised in the consolidated profit and loss account. As at 30 June 2020, the total HSR Project Management Fee and the additional fees referred to above recognised to date in the consolidated profit and loss account amounted to HK$6,548 million (as at 31 December 2019: HK$6,548 million).

In relation to the sufficiency of the HSR Project Management Fee, the Company estimated that the total costs to complete performance of its obligations in relation to the HSR project are likely to exceed the HSR Project Management Fee. Accordingly, an appropriate amount of provision was recognised in the profit and loss account in the prior years.

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 payable by the HKSAR Government to the Company. During the six months ended 30 June 2020, HK$80 million (2019: HK$165 million) of costs were incurred by the Company, which are payable by the HKSAR Government. As at 30 June 2020, the amount of such costs which remained outstanding from the HKSAR Government was HK$1,144 million (as at 31 December 2019: HK$1,219 million).

The funding for both SCL EA1 and SCL EA2 has been obtained by the HKSAR Government.

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, is HK$70,827 million (**"Original Entrusted Amount"**).

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

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

The Company is responsible for carrying out or procuring the carrying out of the works specified in the SCL Agreements for a SCL Project Management Fee of HK$7,893 million (the **"Original PMC"**). As at 30 June 2020 and up to the date of this interim report, the Company has received payments of the Original PMC from the HKSAR Government in accordance with the original agreed payment schedule. During the six months ended 30 June 2020, Original PMC of HK$333 million (2019: HK$441 million) was recognised in the consolidated profit and loss account. As at 30 June 2020, the total Original PMC recognised to date in the consolidated profit and loss account amounted to HK$7,661 million (as at 31 December 2019: HK$7,328 million).

(b) SCL EA3 cost overrun

(i) Cost to complete

The Company has previously announced that, due to the continuing challenges posed by external factors, 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. The Company carried out a detailed review of the estimated CTC for the main construction works in 2017 and submitted a revised estimated total CTC of HK$87,328 million (**"2017 CTC Estimate"**) to the HKSAR Government on 5 December 2017, taking into account a number of factors, including issues such as archaeological relics, the HKSAR Government's requests for additional scope and late or incomplete handover of construction sites. The 2017 CTC Estimate represented an increase to the CTC of HK$16,501 million, including an increase in the SCL Project Management Fee payable to the Company. Since submission of the 2017 CTC Estimate to the HKSAR Government, the Company has been liaising with the HKSAR Government to facilitate their review and verification process.

The Company then carried out and completed a further review and revalidation of the CTC and, on 10 February 2020, notified the HKSAR Government, in accordance with the terms of the SCL EA3, of the latest estimate of the CTC, being 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 13B(b)(ii) below but excluding the Hung Hom Incidents Related Costs in respect of which the Company has already made a provision of HK$2 billion in its consolidated profit and loss account for the six months ended 30 June 2019 (as detailed in note 13B(c) below). The 2020 CTC Estimate represents an increase of HK$12,172 million from the Original Entrusted Amount of HK$70,827 million, which is less than the increase in the 2017 CTC Estimate of HK$16,501 million.

In accordance with the terms of SCL EA3, the HKSAR Government issued its paper on 18 March 2020 to seek the approval of Legislative Council for additional funding required for the SCL Project amounting to HK$10,801 million (**"Additional Funding"**) so that the SCL can be completed. On 12 June 2020, the Legislative Council approved the Additional Funding for the SCL Project. For the avoidance of doubt, the Additional Funding sought by the HKSAR Government and approved by the Legislative Council excluded the Hung Hom Incidents Related Costs (as detailed in note 13B(c)(ii) below) and any Additional PMC for the Company as further detailed in note 13B(b)(ii) below.

(ii) Additional PMC

As mentioned above, the Company is responsible for carrying out or procuring the execution of the works specified in the existing entrustment agreements relating to the SCL Project and the HKSAR Government, as the owner of the SCL, is responsible for bearing and financing the full amount of the total cost of such activities and for paying to the Company the Original PMC of HK$7,893 million in accordance with an agreed payment schedule. As detailed in note 13B(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, including the discovery of archaeological relics in the Sung Wong Toi Station area, requests for additional scope and the late or incomplete handover by third parties of construction sites to the Company. 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, this increase estimated to be around HK$1,371 million. Regular updates have been provided to, and discussions have been held with, the HKSAR Government on the delays to the programme for the delivery of the SCL Project and the associated impacts on the CTC including the Additional PMC.

Given such significant modifications to the project programme and the associated increase in the project management costs of the Company and following the Company's receipt of independent expert advice, the Company believes that it is entitled (in accordance with the terms of the SCL EA3) to an increase in the project management fee, to be agreed by way of good faith negotiations or otherwise determined in accordance with the provisions of the SCL EA3. Accordingly, as stated above, the Company has included the Additional PMC of HK$1,371 million in the 2020 CTC Estimate notified to the HKSAR Government, reflecting the additional scope of work and programme extension.

However, the HKSAR Government has advised the Company that the HKSAR Government considers there has been no material modification in respect of the SCL Project and, therefore, the HKSAR Government disagrees to the inclusion of any Additional PMC in the CTC. Hence, the Additional Funding sought by the HKSAR Government and subsequently approved by the Legislative Council on 12 June 2020 did not include any Additional PMC for the Company.

Despite the fact that this matter needs to be resolved, the Company will, in the interim, continue to comply with its project management obligations under the SCL EA3 and meet the costs thereof, to allow the SCL Project to progress in accordance with the latest programme.

The Board is of the view that the Company's entitlement to any Additional PMC should be resolved with the HKSAR Government in accordance with the terms of the SCL EA3.

Given the uncertainty and potential financial impact to the Company in connection with the Additional PMC, at the appropriate time following further developments relating to this matter, the Company will recognise a provision in its consolidated profit and loss account for an amount of up to HK$1,371 million to reflect the additional cost to the Company of completing its remaining project management responsibilities.

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

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

(c) Hung Hom Incidents

As stated in the Company's announcement dated 18 July 2019, towards the end of the first half of 2018, there were allegations 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. To address the First Hung Hom Incident, the Company submitted to the HKSAR Government a holistic proposal for the verification and assurance of the as-constructed conditions and workmanship quality of the Hung Hom Station extension.

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"**). To address the Second Hung Hom Incident, the Company submitted to the HKSAR Government a verification proposal for verification of the as-constructed condition and workmanship quality of these areas.

(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). The Company has cooperated fully with the COI. The COI process included hearing of evidence from factual witnesses and reviewing evidence from experts on project management and structural engineering issues. 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 19 February 2019, the HKSAR Government announced that the terms of reference of the COI had been expanded and approved a further extension of time for the COI to submit its report to the Chief Executive by 30 August 2019, or such time as the Chief Executive in Council may allow. Subsequently, the Chief Executive in Council extended the time for the COI to submit its final report to the Chief Executive to 31 March 2020.

On 25 February 2019, the COI submitted an interim report to the Chief Executive on its findings and recommendations on matters covered by the original terms of reference. On 26 March 2019, the HKSAR Government published the redacted interim report in which the COI, while recognising it to be an interim report, 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. The COI also made a number of comments regarding the Company's performance and systems as well as a number of recommendations for the future.

On 18 July 2019, the Company completed and 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 to enable the SCL Project to be completed for public use in accordance with the latest project programme.

On 22 January 2020, the HKSAR Government reiterated, in its closing submissions on factual evidence for the extended inquiry submitted 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 27 March 2020, the COI submitted its final report to the Chief Executive on its findings and recommendations on matters covered by the original and extended terms of reference. On 12 May 2020, the HKSAR Government published the final report in which the COI determined that it is fully satisfied that, with the suitable measure in place, the station box structure will be safe and also fit for purpose. The COI also stated that it is satisfied that, with suitable measures completed, the NAT, SAT and HHS structures will be safe and fit for purpose. The suitable measures for the station box structure were completed in June 2020 and the suitable measures for the NAT, SAT and HHS structures were completed in May 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. Up to the date of this interim report, no claim has been received from the HKSAR Government in relation to any SCL Agreement (as detailed in note 13B(c)(iii) below).

(ii) Hung Hom Incidents Related Costs

In July 2019, the HKSAR Government accepted the Company's recommendation that the Tuen Ma Line (Tai Wai to Hung Hom Section of the SCL) should open in phases, with the first phase involving the opening of commercial service on the Tuen Ma Line from Tai Wai Station to Kai Tak Station (**"Phased Opening"**) which occurred on 14 February 2020.

In order to progress the SCL Project and to facilitate the Phased Opening 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. Currently, the Company's best estimate of such costs is around HK$2 billion in aggregate. However, there is no certainty that, ultimately, the entirety of this amount will need to be funded.

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.

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

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

After taking into account the above and in light of 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 profit and loss account for the six months ended 30 June 2019. Up to 30 June 2020, the Company has committed and / or paid Hung Hom Incidents Related Costs totaling HK$978 million, and no provision was written back during the six months ended 30 June 2020. The provision 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 profit and loss account in that financial period.

(iii) 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 13B(c)(i) above), up to the date of this interim 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.

(iv) The eventual outcome of the discussions between the Company and the HKSAR Government on various matters including the timing of any overall settlement in relation to the Hung Hom Incidents and their respective funding obligations relating to the Hung Hom Incidents Related Costs, the level of recovery from relevant parties and the development and eventual outcome relating to the Additional PMC (as detailed in note 13B(b)(ii) above) remain highly uncertain at the current stage. As a result, no additional provision other than the HK$2,000 million referred to 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 other provision on the SCL Project related matters was recognised at 30 June 2020, the Company will reassess on an ongoing basis the need to recognise a further provision in the future in light of any further developments.

(d) Phased Opening of SCL

On 11 February 2020, the Company entered into relevant agreements with the HKSAR Government and KCRC to supplement and amend the current agreements to enable the Company to operate Tuen Ma Line Phase 1 in substantially the same manner as the existing railway network for a period of two years from 14 February 2020 including with KCRC the supplemental service concession agreement ("SSCA-SCL"). Prior to the full opening of the Tuen Ma Line, the parties are obliged to commence exclusive negotiations in good faith with a view to agreeing the terms of a supplemental service concession agreement for the entire Tuen Ma Line (which is intended to replace the SSCA-SCL that was executed on 11 February 2020).

14 Property Development in Progress

Movements of property development in progress of the Group during the six months ended 30 June 2020 and the year ended 31 December 2019 are as follows:

in HK$ million	Balance at 1 January	Expenditure	Offset against payments received from developers	Transfer out to profit or loss	Balance at 30 June/ 31 December
At 30 June 2020 (Unaudited)					
Hong Kong Property Development Projects	**12,022**	**494**	**(35)**	**(491)**	**11,990**
At 31 December 2019 (Audited)					
Hong Kong Property Development Projects	14,840	3,819	(662)	(5,975)	12,022

15 Properties Held for Sale

in HK$ million	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Properties held for sale		
– at cost	**1,919**	1,125
– at net realisable value	**116**	120
	2,035	1,245
Representing:		
Hong Kong property development	**1,827**	1,034
Mainland of China property development	**208**	211
	2,035	1,245

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 Shenzhen.

Properties held for sale at net realisable value as at 30 June 2020 are stated net of provision of HK$12 million (31 December 2019: HK$12 million) made in order to state these properties at the lower of their cost and estimated net realisable value.

16 Derivative Financial Assets and Liabilities

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

	At 30 June 2020 (Unaudited)		At 31 December 2019 (Audited)	
in HK$ million	Notional amount	Fair value	Notional amount	Fair value
Derivative Financial Assets				
Foreign exchange forwards				
– cash flow hedges	**151**	**3**	51	1
– hedges of net investments	**2,054**	**35**	–	–
– not adopted hedge accounting	**563**	**20**	721	19
Cross currency swaps				
– fair value hedges	**1,711**	**31**	698	9
– cash flow hedges	**10,243**	**272**	8,430	139
– hedges of net investments	**64**	**1**	64	1
Interest rate swaps				
– fair value hedges	**4,240**	**63**	8,841	12
– cash flow hedges	**1,250**	**5**	1,250	14
– not adopted hedge accounting	**913**	**1**	1,913	3
	21,189	**431**	21,968	198
Derivative Financial Liabilities				
Foreign exchange forwards				
– fair value hedges	**78**	**–**	–	–
– cash flow hedges	**331**	**14**	321	11
– hedges of net investments	**–**	**–**	1,984	16
– not adopted hedge accounting	**593**	**17**	783	15
Cross currency swaps				
– fair value hedges	**388**	**1**	–	–
– cash flow hedges	**3,634**	**556**	5,446	350
Interest rate swaps				
– fair value hedges	**6,335**	**16**	3,785	11
– cash flow hedges	**1,850**	**18**	100	3
– not adopted hedge accounting	**1,783**	**8**	783	2
	14,992	**630**	13,202	408
Total	**36,181**		35,170	

17 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 operation (except for that from the High Speed Rail as described in note 17(ii) below) is collected either through Octopus 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 21 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 with daily settlement on the next working day or in cash for other ticket types. Fare revenue from MTRX (formerly known as "MTR Express") in Sweden is collected through a third party financial institution with settlement within 14 days and sales through pre-sale agents are settled in the following month.

(iv) Franchise revenue in Melbourne is collected either daily or monthly depending on the revenue nature. The majority of the franchise revenue from operations in Stockholm is collected in the transaction month with the remainder being collected in the following month. Concession revenue for TfL Rail/Elizabeth Line in London is collected once every 4 weeks. Service fees from Macao Light Rapid Transit Taipa Line are billed monthly with due dates in accordance with the terms of the service agreement.

(v) Rentals, advertising and telecommunications service fees are billed monthly with due dates ranging from immediately due to 50 days. Tenants of the Group's investment properties and station kiosks are required to pay three 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 incomes are billed monthly for settlement within 30 days upon work completion or on other basis stipulated in the consultancy contracts.

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

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

The ageing analysis of debtors based on due date is as follows:

in HK$ million	**At 30 June 2020 (Unaudited)**	At 31 December 2019 (Audited)
Amounts not yet due	**3,141**	2,775
Overdue by 30 days	**173**	153
Overdue by 60 days	**40**	59
Overdue by 90 days	**21**	41
Overdue by more than 90 days	**86**	192
Total debtors	**3,461**	3,220
Other receivables and contract assets	**10,537**	7,949
	13,998	11,169

Included in other receivables as at 30 June 2020 was HK$5,193 million (31 December 2019: HK$2,813 million) in respect of property development profit in Hong Kong distributable from stakeholding funds based on the terms of the development agreements and sales and purchase agreements.

During the years ended 31 December 2017 and 2018, the Inland Revenue Department of Hong Kong ("IRD") issued notices of assessment/additional assessment for the years of assessment 2010/2011 to 2017/2018 following queries in connection with the tax deductibility of certain payments relating to the Rail Merger.

Based on the strength of advice from external senior counsel and tax advisor, the directors of the Company have determined to strongly contest the assessments raised by the IRD. The Company has lodged objections against these tax assessments 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$1,816 million and HK$462 million in 2017 and 2018 respectively. 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. No additional tax provision has been made in respect of the above notices of assessment/additional assessment.

18 Material Related Party Transactions

The FSI of the HKSAR Government, which holds approximately 75.23% of the Company's issued share capital on trust for the HKSAR Government as at 30 June 2020, 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 (revised), *Related Party Disclosures*, and are identified separately in this interim financial report.

As at 30 June 2020, 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 2020 (Unaudited)**	At 31 December 2019 (Audited)
Amounts due from:		
– HKSAR Government	**1,715**	1,783
– KCRC	**2,163**	1,159
– associates	**120**	99
	3,998	3,041
Amounts due to:		
– HKSAR Government	**4,643**	117
– KCRC	**895**	2,873
– associates	**49**	–
	5,587	2,990

As at 30 June 2020, 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 and Kwun Tong Line Extension projects, 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 2020 related to the 2019 final ordinary dividend payable (note 8) amounting to HK$4,541 million as well as land administrative fees in relation to railway extensions.

The amount due from KCRC mainly related to the recoverable cost for certain capital works in accordance with the agreements in relation to the Rail Merger, as well as amounts in relation to the High Speed Rail and Tuen Ma Line Phase 1. 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 Tuen Ma Line Phase 1.

Details of major related party transactions entered into by the Group with the HKSAR Government in prior years that are still relevant for the current period and those with KCRC in respect of the Rail Merger and Operating Arrangements of the High Speed Rail and Tuen Ma Line Phase 1 were described in the Group's audited accounts for the year ended 31 December 2019. During the six months ended 30 June 2020, amounts recoverable or invoiced by the Company under West Rail Agency Agreement and Property Package Agreement are HK$22 million (2019: HK$37 million) and HK$nil (2019: HK$3 million) respectively and amount payable or paid by the Company under Service Concession Agreement is HK$832 million (2019: HK$1,881 million). Net revenue received or receivable from KCRC in respect of High Speed Rail under SSCA-HSR and Tuen Ma Line Phase 1 under SSCA-SCL amounted to HK$1,015 million (2019: HK$213 million).

The Company entered into entrustment agreements with the HKSAR Government for the design, site investigation, procurement activities, construction, testing and commissioning of High Speed Rail and Shatin to Central Link. Detailed description of the agreements and the amount of project management fees recognised for the six months ended 30 June 2020 are provided in notes 13A and 13B. In addition, an amount of HK$210 million was paid/payable to the HKSAR Government during the six months ended 30 June 2020 (2019: HK$507 million) under SCL EA3's payment arrangement with the HKSAR Government and relevant contractors.

In addition, in connection with the property developments along the railway system, the Company has been granted a land lot by the HKSAR Government in respect of the following site during the six months ended 30 June 2020:

Property development site	Land grant/land premium offer acceptance date	Total land premium in HK$ million	Land premium settlement date
Site D of the Remaining Portion of Tseung Kwan O Town Lot No. 70	14 February 2020	2,725	19 March 2020

During the six months ended 30 June 2020, the maintenance contract with the Hong Kong Airport Authority ("HKAA") in respect of the automated people mover system ("System") serving the Hong Kong International Airport was extended to 5 January 2021. In respect of the services provided, HK$67 million was recognised as consultancy income during the six months ended 30 June 2020 (2019: HK$41 million).

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

18 Material Related Party Transactions *(continued)*

During the six months ended 30 June 2020, 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 2020**	Six months ended 30 June 2019
Octopus Group		
– Expenses paid or payable in respect of central clearing services provided by Octopus Group	**44**	79
– 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	**12**	24
NRT Group		
– Fees received or receivable in respect of mobilisation, operations and maintenance as well as design and delivery services provided to NRT Group	**1,258**	729

19 Creditors, Other Payables and Provisions

The analysis of creditors by due dates is as follows:

in HK$ million	**At 30 June 2020 (Unaudited)**	At 31 December 2019 (Audited)
Due within 30 days or on demand	**7,100**	7,157
Due after 30 days but within 60 days	**974**	1,559
Due after 60 days but within 90 days	**674**	774
Due after 90 days	**5,148**	4,978
	13,896	14,468
Rental and other refundable deposits	**2,906**	2,857
Accrued employee benefits	**2,545**	1,990
Dividends payable to other shareholders	**1,495**	–
Total creditors and accrued charges	**20,842**	19,315
Other payables and provisions (note 13B(c)(ii))	**11,640**	11,787
Contract liabilities	**1,969**	2,213
	34,451	33,315

20 Loans and Other Obligations

Notes issued by the Group during the six months ended 30 June 2020 and 2019 comprise:

	Six months ended 30 June 2020		Six months ended 30 June 2019	
in HK$ million	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	**3,948**	**3,471**	–	–

During the six months ended 30 June 2020, the Company issued HK$2,700 million, RMB720 million (or HK$783 million) and USD60 million (or HK$465 million) of its unlisted debt securities in the respective currency (2019: nil).

As at 30 June 2020, 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.

During the six months ended 30 June 2020, the Group did not redeem any of its listed debt securities (2019: HK$nil). The Group redeemed HK$1,248 million of its unlisted debt securities (2019: HK$200 million).

21 Deferred Tax Assets and Liabilities

A Movements of deferred tax assets and liabilities during the six months ended 30 June 2020 and the year ended 31 December 2019 are as follows:

	Deferred tax arising from					
in HK$ million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Provision and other temporary differences	Cash flow hedges	Tax losses	Total
At 30 June 2020 (Unaudited)						
Balance as at 1 January 2020 (Audited)	**13,007**	**778**	**(123)**	**43**	**(110)**	**13,595**
Credited to consolidated profit and loss account	**(35)**	**–**	**(70)**	**–**	**(32)**	**(137)**
(Credited)/charged to reserves	**–**	**(33)**	**3**	**(1)**	**–**	**(31)**
Exchange differences	**(3)**	**–**	**1**	**1**	**–**	**(1)**
Balance as at 30 June 2020	**12,969**	**745**	**(189)**	**43**	**(142)**	**13,426**
At 31 December 2019 (Audited)						
Balance as at 1 January 2019	12,385	759	(183)	(5)	(103)	12,853
Charged/(credited) to consolidated profit and loss account	620	(5)	(76)	–	(1)	538
Charged to reserves	–	24	139	48	–	211
Acquisition of subsidiary	–	–	–	–	(12)	(12)
Exchange differences	2	–	(3)	–	6	5
Balance as at 31 December 2019	13,007	778	(123)	43	(110)	13,595

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

in HK$ million	**At 30 June 2020 (Unaudited)**	At 31 December 2019 (Audited)
Net deferred tax assets	**(186)**	(134)
Net deferred tax liabilities	**13,612**	13,729
	13,426	13,595

22 Share Capital and Shares Held for Executive Share Incentive Scheme

A Share Capital

	At 30 June 2020 (Unaudited)		At 31 December 2019 (Audited)	
	Number of shares	HK$ million	Number of shares	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**6,157,948,911**	**58,804**	6,139,485,589	57,970
Shares issued in respect of scrip dividend of 2018 final ordinary dividend	**–**	**–**	13,707,539	654
Shares issued in respect of scrip dividend of 2019 interim ordinary dividend	**–**	**–**	1,494,283	71
Vesting of shares of Executive Share Incentive Scheme	**–**	**6**	–	5
Shares issued under the share option scheme	**1,710,000**	**57**	3,261,500	104
At 30 June/31 December	**6,159,658,911**	**58,867**	6,157,948,911	58,804

B New shares issued and fully paid up during the six months ended 30 June 2020 comprise:

	Number of shares	Weighted average exercise price HK$
Employee share options exercised:		
– 2007 Share Option Scheme	**1,710,000**	**30.88**

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

C Movements in the number of share options outstanding are as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
	2007 Share Option Scheme	2007 Share Option Scheme
Outstanding at 1 January	**4,909,000**	8,170,500
Exercised during the period	**(1,710,000)**	(2,499,000)
Outstanding at 30 June	**3,199,000**	5,671,500
Exercisable at 30 June	**3,199,000**	5,671,500

D During the six months ended 30 June 2020, the Company awarded Performance Shares and Restricted Shares under the Company's Executive Share Incentive Scheme to certain eligible employees of the Company. A total of 6,950 Performance Shares (2019: 244,650) and 2,334,750 Restricted Shares (2019: 2,062,150) were awarded and accepted by the grantees on 8 April 2020 (2019: 1 April 2019 and 8 April 2019). The fair value of these awarded shares was HK$41.90 per share on 8 April 2020 (2019: HK$48.90 per share on 1 April 2019 and HK$48.40 per share on 8 April 2019).

E During the six months ended 30 June 2020, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the Hong Kong Stock Exchange a total of 2,020,000 Ordinary Shares (2019: 1,870,000) of the Company for a total consideration of approximately HK$86 million (2019: HK$88 million).

F During the six months ended 30 June 2020, 1,855,667 shares (2019: 2,145,215) were transferred to the awardees under the Executive Share Incentive Scheme upon vesting. The total cost of the vested shares was HK$84 million (2019: HK$88 million). During the six months ended 30 June 2020, HK$6 million (2019: HK$5 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 2020, 184,776 award shares (2019: 97,938) were forfeited.

23 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 2020, 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 as 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

All of the Group's investments in securities were carried at fair value using Level 1 measurements, the fair value of financial assets as at 30 June 2020 was HK$219 million (as at 31 December 2019: HK$386 million). The Group's derivative financial instruments were carried at fair value using Level 2 measurements, as at 30 June 2020, the fair values of derivative financial assets and financial liabilities were HK$431 million (as at 31 December 2019: HK$198 million) and HK$630 million (as at 31 December 2019: HK$408 million) respectively.

There are no Level 3 measurements of financial instruments. During the six months ended 30 June 2020 and the year ended 31 December 2019, 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.

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.

23 Fair Value Measurement *(continued)*

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

(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 2020 and 31 December 2019 except for capital market instruments and other obligations, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2020 (Unaudited)		At 31 December 2019 (Audited)	
in HK$ million	Carrying amount	Fair value	Carrying amount	Fair value
Capital market instruments	**26,894**	**33,493**	24,204	27,528
Other obligations	**1,668**	**1,599**	1,740	1,884

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

24 Cash Generated from Operations

Reconciliation of the Group's operating profit before Hong Kong property development, 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 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment from recurrent businesses	**4,001**	8,411
Adjustments for non-cash items	**(34)**	2,019
Operating profit before working capital changes	**3,967**	10,430
Increase in debtors and other receivables	**(1,396)**	(703)
Increase in stores and spares	**(68)**	(167)
(Decrease)/increase in creditors and other payables	**(259)**	404
Cash generated from operations	**2,244**	9,964

25 Capital Commitments

A Outstanding capital commitments as at 30 June 2020 not provided for in the accounts were as follows:

in HK$ million	Hong Kong transport operations, station commercial and other businesses	Hong Kong railway extension projects	Hong Kong property rental and development	Mainland of China and overseas operations	Total
At 30 June 2020 (Unaudited)					
Authorised but not yet contracted for	**13,220**	**–**	**2,203**	**9**	**15,432**
Authorised and contracted for	**16,461**	**152**	**1,212**	**229**	**18,054**
	29,681	**152**	**3,415**	**238**	**33,486**
At 31 December 2019 (Audited)					
Authorised but not yet contracted for	8,476	–	2,442	9	10,927
Authorised and contracted for	13,558	170	1,183	20	14,931
	22,034	170	3,625	29	25,858

In respect of Sydney Metro City & Southwest, the Group's share of investment is expected to represent equity contribution of approximately AUD12.7 million and loans of approximately AUD47.5 million. Up to 30 June 2020, the Group has not contributed equity or loan to the project.

25 Capital Commitments *(continued)*

B The capital commitments 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 properties	Total
At 30 June 2020 (Unaudited)				
Authorised but not yet contracted for	**8,529**	**1,009**	**3,682**	**13,220**
Authorised and contracted for	**12,925**	**352**	**3,184**	**16,461**
	21,454	**1,361**	**6,866**	**29,681**
At 31 December 2019 (Audited)				
Authorised but not yet contracted for	4,090	746	3,640	8,476
Authorised and contracted for	10,267	246	3,045	13,558
	14,357	992	6,685	22,034

26 Impacts of COVID-19 Pandemic

The COVID-19 pandemic since early 2020 has brought about adverse impacts to the Group's operations and financial results. Detailed descriptions of the impacts are contained in other sections of the 2020 Interim Report.

27 Approval of Interim Financial Report

The interim financial report was approved by the Board on 6 August 2020.

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 47 to 71 which comprises the consolidated statement of financial position of MTR Corporation Limited as of 30 June 2020 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 as at 30 June 2020 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
6 August 2020

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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:

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