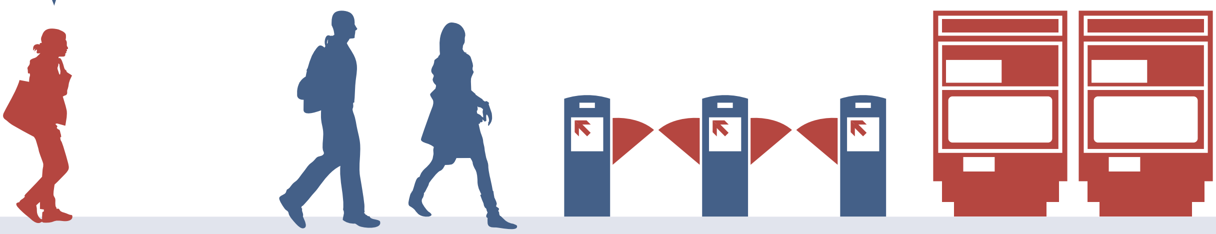
MTR

Sharing Our Growth

Interim Report 2013

Highlights



Financial

- Total revenue increased 12.0% to HK$19,214 million; Revenue excluding Mainland of China and international subsidiaries increased 13.4% to HK$12,189 million
- Post-tax underlying profit

– Recurrent business profit	HK$3,804 million	up 8.0%
– Property development profit	HK$ 447 million	down 14.7%
	HK$4,251 million	up 5.1%

- Reported profit after investment property revaluation of HK$6,158 million, an increase of 6.4%
- Earnings per share on underlying profit of HK$0.73
- Net assets increased 2.4% to HK$146,583 million
- Net debt-to-equity ratio at 11.6%
- Cash and bank deposits totaled HK$17,060 million with additional undrawn committed facilities of HK$7,003 million available
- Interim dividend of HK$0.25 per share declared

Contents

Operational

- Fare Adjustment Mechanism Review concluded successfully
- Total patronage from Hong Kong transport operations (excluding Intercity) increased 3.6% to 881 million
- Listening • Responding programme continued to drive service improvement and performance
- Tender for the Long Ping Station (South) site, where the Company acts as agent, awarded in June 2013

Growth

- All five Hong Kong railway projects made solid progress and remain on target
- Phase 1 of Beijing Metro Line 14 commenced operation on 5 May 2013
- Pre-sale for Shenzhen Metro Longhua Line Depot Site development expected as early as the end of 2014, subject to market conditions
- Awarded land use right for a site in Tianjin at a price of RMB2,075 million on 5 August 2013 through our 49% owned joint venture

Hong Kong Operating Network with Future Extensions

Legend

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

Existing Network

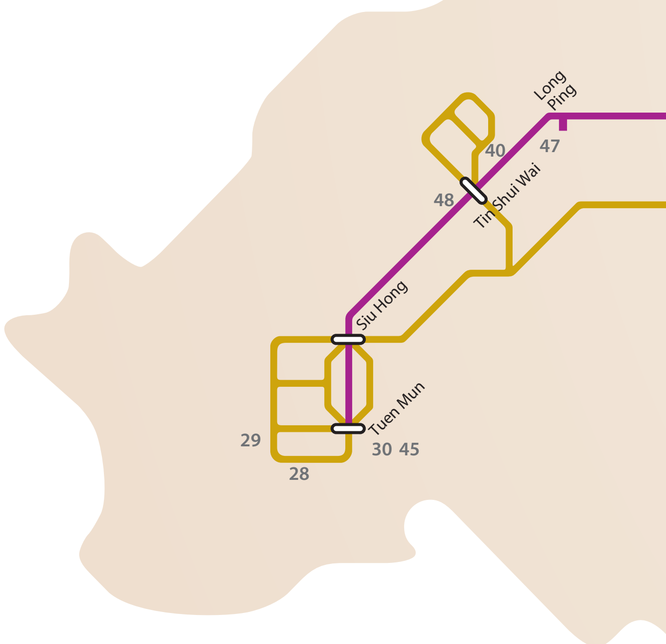
- Airport Express
- Disneyland Resort Line
- East Rail Line
- Island Line
- Kwun Tong Line
- Light Rail
- Ma On Shan Line
- Tseung Kwan O Line
- Tsuen Wan Line
- Tung Chung Line
- West Rail Line

Projects in Progress

- Guangzhou-Shenzhen-Hong Kong Express Rail Link
- Kwun Tong Line Extension
- South Island Line (East)
- West Island Line
- Shatin to Central Link

Potential Future Extensions

- North Island Line
- Northern Link
- South Island Line (West)
- Extension to Central South



Properties Owned / Developed / Managed by the Corporation

01 Telford Gardens / Telford Plaza I and II
02 World-wide House
03 Admiralty Centre
04 Argyle Centre
05 Luk Yeung Sun Chuen / Luk Yeung Galleria
06 New Kwai Fong Gardens
07 Sun Kwai Hing Gardens
08 Fairmont House
09 Kornhill / Kornhill Gardens
10 Fortress Metro Towers
11 Hongway Garden / Infinitus Plaza
12 Perfect Mount Gardens
13 New Jade Garden
14 Southorn Garden
15 Heng Fa Chuen / Heng Fa Villa / Paradise Mall
16 Park Towers
17 Felicity Garden
18 Tierra Verde / Maritime Square
19 Tung Chung Crescent / Citygate / Novotel Citygate / Seaview Crescent / Coastal Skyline / Caribbean Coast
20 Central Park / Island Harbourview / Park Avenue / Harbour Green / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two
21 The Waterfront / Sorrento / The Harbourside / The Arch / Elements / The Cullinan / The Harbourview Place / W Hong Kong / International Commerce Centre / The Ritz-Carlton, Hong Kong
22 One International Finance Centre / Two International Finance Centre / IFC Mall / Four Seasons Hotel / Four Seasons Place
23 Central Heights / The Grandiose / The Edge / The Wings / PopCorn / Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites
24 Residence Oasis / The Lane
25 No.8 Clear Water Bay Road / Choi Hung Park & Ride
26 Metro Town
27 Royal Ascot / Plaza Ascot
28 Ocean Walk
29 Sun Tuen Mun Centre / Sun Tuen Mun Shopping Centre
30 Hanford Garden / Hanford Plaza
31 Citylink Plaza
32 MTR Hung Hom Building / Hung Hom Station Carpark
33 Trackside Villas
34 The Capitol / Le Prestige / Le Prime / La Splendeur
35 The Palazzo
36 Lake Silver
37 Festival City
38 The Riverpark

Property Developments Under Construction / Planning

34 LOHAS Park Package 3-10
39 Tai Wai Station
40 Tin Shui Wai Light Rail
41 Austin Station Site C
42 Austin Station Site D
52 Wong Chuk Hang Station
53 Ho Man Tin Station

West Rail Line Property Developments (As Agent for the Relevant Subsidiaries of KCRC)

43 Nam Cheong Station
44 Yuen Long Station
45 Tuen Mun Station
46 Tsuen Wan West Station
47 Long Ping Station
48 Tin Shui Wai Station
49 Kam Sheung Road Station
50 Pat Heung Maintenance Centre
51 Kwai Fong Site

Schemes Proposed in the Review and Update of the Railway Development Strategy 2000

- Existing Network
- Northern Link
- Tuen Mun to Tsuen Wan Link
- Hong Kong - Shenzhen Western Express Line
- Tuen Mun South Extension
- Tung Chung West Extension
- South Island Line (West)
- North Island Line
- Siu Sai Wan Line


Shenzhen
New Territories
Kowloon
Hong Kong Island
Intercity Through Train Route Map
Beijing Line
Shanghai Line
Guangdong Line
Beijing
Shanghai
Zhaoqing
Guangzhou
Foshan
Dongguan
HONG KONG SAR
Lo Wu
Sheung Shui
Lok Ma Chau
Kwu Tung
Fanling
Tai Wo
Tai Po Market
University
Fo Tan
Racecourse*
Sha Tin
Tai Wai
Yuen Long
Kam Sheung Road
Tsuen Wan West
Tsuen Wan
Tai Wo Hau
Kwai Hing
Kwai Fong
Lai King
Mei Foo
Tsing Yi
Sunny Bay
Disneyland Resort
Nam Cheong
Olympic
Kowloon
West Kowloon Terminus
Austin
Lai Chi Kok
Cheung Sha Wan
Sham Shui Po
Prince Edward
Mong Kok
Yau Ma Tei
Jordan
Tsim Sha Tsui
East Tsim Sha Tsui
Shek Kip Mei
Kowloon Tong
Lok Fu
Wong Tai Sin
Diamond Hill
Choi Hung
Kowloon Bay
Ngau Tau Kok
Kwun Tong
Lam Tin
Yau Tong
Tiu Keng Leng
Tseung Kwan O
Po Lam
Hang Hau
LOHAS Park
Hin Keng
Che Kung Temple
Sha Tin Wai
City One
Shek Mun
Tai Shui Hang
Heng On
Ma On Shan
Wu Kai Sha
Mong Kok East
Ho Man Tin
Ma Tau Wai
To Kwa Wan
Kai Tak
Whampoa
Hung Hom
Exhibition
Hong Kong
Tamar
Central
Admiralty
Wan Chai
Causeway Bay
Causeway Bay North
Tin Hau
Fortress Hill
North Point
Quarry Bay
Tai Koo
Sai Wan Ho
Shau Kei Wan
Heng Fa Chuen
Chai Wan
Sheung Wan
Sai Ying Pun
Hong Kong University
Kennedy Town
Central South
Cyberport
Wah Fu
Aberdeen
Wong Chuk Hang
Ocean Park
Lei Tung
South Horizons
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Chairman's Letter

Dear Shareholders and other Stakeholders,

The Group's financial results for the first half of 2013 were good, with recurrent operations performing well and our growth strategy continuing to be on track. Our Hong Kong transport operations recorded increases in patronage and market share. Our station commercial and property rental businesses achieved higher revenues, while modest Hong Kong property development profits were booked, mainly from the sale of inventory units at The Riverpark at Che Kung Temple Station. Our franchises outside of Hong Kong performed satisfactorily with more lines added to our portfolio.

The Group's underlying profit increased by 5.1% as compared with the first half of 2012, to reach HK$4,251 million. Underlying earnings per share rose by 4.3% to HK$0.73. Including investment property revaluation, net profit attributable to shareholders rose 6.4% to HK$6,158 million. Your Board has declared an interim dividend of HK$0.25 per share.

In April 2013, we announced with Government the result of the review of the Fare Adjustment Mechanism ("FAM"), which left the overall FAM formula and direct drive mechanism unchanged but with a revision to the productivity factor. This resulted in the overall fare adjustment rate being reduced to 2.7% from what would have been 3.2% using the original FAM productivity factor. As part of the FAM review and to encourage usage of our network by various passenger groups, we announced the introduction of a number of additional fare concessions including the "Monthly Pass Extra" and "MTR City Saver". A new profit-related fare concession scheme and a Service Performance Arrangement will provide funds for fare concessions under the "10% Same-day Second-Trip Discount" promotion going forward.

The revised FAM remains an open, objective and transparent formula. It also aligns the Company's overall fare system more closely with the community's aspirations. In future years, an Affordability Discount will be offered when the FAM rate in any given year triggers a fare increase that is higher than the yearly percentage change in Median Monthly Household Income as published by Government. This well-balanced package addresses the travelling public's desire to spend less on fares, while at the same time assures our shareholders of the Company's long-term sustainable development.

Creation of Long Term Value

Our Company's operations are guided by the Corporate Strategy which was revamped in 2012. This refinement of the strategy that has served us so well in the past affirms that we will continue to strengthen our ties with the community in our home base of Hong Kong, as well as invest in improving our services. This will in turn help achieve further growth and maximise the value of our Hong Kong core businesses. At the same time, we will pursue faster growth in other markets.

In executing our strategy, the Company aims to be a long-term source of global best practice in urban mass transit development and operations. This necessitates us undertaking financially sustainable new projects continuously in both Hong Kong, Mainland of China and overseas, as well as increasing our commitments to research and development ("R&D"). In addition to our own R&D team, we are partnering with others in our industry and with recognised research institutions on R&D, including many Hong Kong universities and MIT (the Massachusetts Institute of Technology). We are also furthering international best practice through engagement with bodies such as UITP (International Association of Public Transport), CoMET (Community of Metros) and through sponsoring and supporting the iESM, the international Handbook on Engineering Safety Management for the rail industry.

Our growth strategy has made further progress in the first six months of 2013. In Hong Kong, the construction works on our five railway extension projects have become even more intense, and we currently have over 11,400 workers employed on some 180 rail project sites. These projects, namely the West Island Line, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the South Island Line (East), Kwun Tong Line Extension and Shatin to Central Link, are all making solid progress and remain on target, with the West Island Line due to open next year. As well as providing employment, the new lines will generate significant economic, social and environmental benefits once they are in service.

Outside of Hong Kong, in the Mainland of China, Beijing Metro Line 4, the Daxing Line, Shenzhen Metro Longhua Line and Hangzhou Metro Line 1 all exceeded their operational targets. The first phase of Beijing Metro Line 14 opened successfully in May 2013. Overseas, London Overground Rail Operations Limited continued to win awards for its outstanding services in the UK's capital, while our franchises in Melbourne and Stockholm continued to meet or exceed their contractual requirements. We will continue to pursue growth by leveraging on our success and exploring further rail and property business opportunities in the Mainland of China and overseas.

Sustainability

Our commitment to sustainability focuses our attention on how best to meet the needs of the present, while not compromising the ability of future generations to meet theirs. We balance the expectations of our stakeholders with our long-term development. This includes optimising energy efficiency, improving customer service and ensuring safe and healthy work environments, while at the same time integrating the needs of the community into our decision-making process.

A good example of our commitment to higher energy efficiency is the innovative energy storage system we have developed for the South Island Line (East). It is expected to save up to 1.38 million units of electricity per year, equivalent to an annual reduction of up to 742 tonnes of carbon emissions.

We became a signatory in 2012 to Hong Kong's Energy Saving Charter, which advises us to maintain an average indoor temperature of 24-26 degrees Celsius in the common areas of shopping malls between June and September 2013. In 2013, we extended the Charter to cover our main office buildings in Kowloon Bay, Fo Tan and Kam Tin as well as the common areas of office buildings managed by the Company including Two International Finance Centre ("Two ifc"), Admiralty Centre, World Wide House and Fairmont House.

Efforts to ensure sustainable development led to the "Gold Award of Leadership in Energy and Environmental Design (LEED)" being granted to Two ifc. The award demonstrates our success in integrating "green" concepts into our property management services.

Community concern about food waste has been rising and we were one of the first organisations to sign and support the new "Food Wise Charter" under the Food Wise Campaign by the Environmental Bureau, which aims to reduce food waste from retail outlets such as supermarkets and restaurants.

Overall, our rail plus property development model has gained wide recognition as demonstrating our ability to integrate community aspirations into our business model. We are now successfully translating this to markets outside of Hong Kong, and were honoured to win the prestigious International Business Model Award at the UITP World Congress in Geneva on 26 May 2013 for our integrated rail plus property development model for the Shenzhen Metro Longhua Line.

Our Sustainability Report 2012, which was published in June 2013, describes in more detail how these and other initiatives are helping the Company to progress towards our goals of enhancing our corporate citizen reputation and maximising value from our core businesses, while contributing to the long term sustainable development of the communities in which we operate.

Corporate Responsibility

Our Corporate Responsibility programme focuses on Youth Development, Art & Culture, Green & Healthy Living and Community Outreach.

We are partnering with the Methodist Centre on our latest "'Train' for life's journeys" programme, which has inducted more than 100 students from 80 different secondary schools. Our youth mentoring programme "'Friend' for life's journeys", meanwhile, took the opportunity of the Completion Ceremony in May 2013 to launch an Alumni Association. We have also sponsored The Chinese University of Hong Kong to launch an "MTR-CUHK Youth Quality of Life Index" and initiate an "MTR-CUHK Youth Quality of Life Champions Competition" in secondary schools. All these initiatives are designed to encourage positive attitudes and civic engagement among our young people.

Our schemes to enliven local arts and culture have also expanded to involve more young people. The "MTR x Hong Kong Repertory Theatre: Master of Railway Safety School Tour" drama has been seen by students in 50 primary schools and expanded its horizons to 50 kindergartens for the first time, giving children exposure to entertaining storytelling, while raising safety awareness. In Central Station, an inspiring "art in mtr – arttube" exhibition kicked off in April 2013 featuring more than 100 of the best entries from the first round of the "Brushstrokes Over Hong Kong: International Children Painting Competition in Hong Kong 2012/13", which we are co-sponsoring. The event is organised by the Promotion of Young Artists Foundation. The participants are aged between 4 and 18 years old and come from 52 countries and regions, making it a truly international youth event. In addition to these two events, we have continued to add to the enjoyment of using our network through additions to our "art in station architecture" and "roving art" programmes.

Beyond these areas, 93 community projects were organised under the "More Time Reaching Community" Scheme during the first six months of 2013, involving over 2,100 volunteers. In addition, the Company and staff together donated a total of over HK$3.2 million to charitable causes, including The Community Chest and Sichuan earthquake victims. The Company organised activities to raise funds for The Community Chest, such as the "Green Day", "Corporate Challenge", "Skip Lunch Day" and the "CARE Scheme". In addition to these activities, the Company organised a charity fund raising event at the site of the decommissioned explosive storage magazine for the West Island Line project, and raised HK$1.24 million for The Community Chest.

Recognition for Sustainability and Corporate Responsibility

We have received further recognition for our efforts towards sustainability. We now rank as the leading Hong Kong company on the Hang Seng Corporate Sustainability Index, on which we have been listed since its launch in 2010. The Company remains listed on the Dow Jones Sustainability World Index, Dow Jones Sustainability Asia Pacific Index and the FTSE4Good Index, and is one of the 16 companies designated a "New Sustainability Champion" by the World Economic Forum. We were also awarded a "Sustainability

Excellence Award" by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University.

In recognition of our corporate social responsibility, since 2011 we have been awarded the "5 Years Plus Caring Company Logo". East Week Magazine gave MTR a "Corporate Social Responsibility Award" for the sixth consecutive year in the "Hong Kong Service Awards 2013". We have also received numerous related awards in areas ranging from waste separation to noise abatement.

Conclusion

We have made a good start to the year and will continue to work towards creating more sustainable shareholder value, while improving the lives of those whom we serve. I would like to thank my fellow directors for their counsel, all of our people for their hard work and our other stakeholders for their consistent support. Finally, I would like to welcome Professor Frederick Ma Si-hang, Mrs Pamela Chan Wong Shui and Dr Dorothy Chan Yuen Tak-fai, who joined the Board in July 2013 as Independent Non-Executive Directors of the Company.

Dr. Raymond Ch'ien Kuo-fung, *Chairman*
Hong Kong, 26 August 2013

CEO's Review of Operations and Outlook

Dear Shareholders and other Stakeholders,

I am pleased to report that, in the first six months of 2013, we achieved good financial results while our rail businesses continued to turn in impressive operational performances, supported by world-class safety standards. We continued to focus on investing in Hong Kong to enhance our service and grow our network, while expanding rapidly in other markets.

Our recurrent businesses in Hong Kong, comprising our transport operations, station commercial and property rental businesses, continued to perform well with an increase in passenger numbers as well as solid increases in retail rent reversions, particularly for our Duty Free Shops. Our property development business booked profits mainly from the sale of inventory units at The Riverpark. Contributions from the Company's railway subsidiaries outside of Hong Kong continued to increase.

In Hong Kong, we continued our strong focus on operations and maintenance activities designed to maintain our highly reliable train services. The high levels of service and safety we achieved as a result of these efforts has helped strengthen our Hong Kong corporate citizen reputation. Furthermore, we are building on the success of the Listening • Responding programme, introduced in 2012, to respond directly to passengers in areas where they say they would like to see us do more. Various initiatives have been introduced under this programme, such as enhancing train services to provide more convenient and comfortable journeys, improving barrier-free access to stations through additional wide gates and lifts, and helping our passengers to stay connected through improved smartphone apps and free Wi-Fi hotspots in all stations. We are encouraged by the feedback from passengers that they welcome the improvements we have made.

We continue to work ceaselessly to maintain high safety standards across all our operations in Hong Kong, the Mainland of China and overseas through benchmarking safety performance, learning lessons from railway incidents and actively sharing best practice through peer reviews. Our 2012 Staff Attitude Survey in Hong Kong shows that our staff recognise that upholding safety is our top priority.

We viewed with grave seriousness the Light Rail incident on 17 May 2013, when the wheels of a couple-set came off the tracks at a turn. An in-depth investigation was conducted immediately and we have implemented new safety enhancement measures. These include stepping up speed checks on Light Rail vehicles and more structured reminders to train captains on the importance of strictly adhering to safe driving practices. We will continue exploring other possible measures for safety enhancement.

In April 2013, we successfully concluded the review of the Fare Adjustment Mechanism ("FAM") with Government, arriving at an outcome that will ensure the Company's continued long-term sustainable development. The "win-win" outcome safeguards the Company's interests while providing our passengers with lower fares than otherwise would have been in place.

"...we are building on the success of the Listening • Responding programme... to respond directly to passengers in areas where they say they would like to see us do more."

Our growth strategy remains on track. Steady progress was made on our five railway extension projects in Hong Kong, and we remain on target to open the first of these lines, the West Island Line, next year. Looking beyond these five lines, the second stage of public consultation for Government's Review and Update of the Railway Development Strategy 2000 ("RDS-2U") has also been completed. We expect that Government's railway development roadmap will greatly enhance our railway growth potential beyond 2020. Outside of Hong Kong, Phase 1 of Beijing Metro Line 14 ("BJL14") commenced operations as our third rail line in Beijing. MTR Property Development (Shenzhen) Company Limited is also currently developing Shenzhen Metro Longhua Line Depot Site Phase 1 and pre-sale may take place as early as the end of 2014, depending on market conditions. More recently, on 5 August 2013, Tianjin TJ-Metro MTR Construction Company Limited, a joint venture between the Company and Tianjin Metro (Group) Company Limited, won the bidding for another site of 278,650 square metres, at Beiyunhe Station on Tianjin Metro Line 6 in Tianjin. The joint venture company will develop the site for residential and commercial use.

Total revenue for the first six months of 2013 rose 12.0% to HK$19,214 million. Operating profit before Hong Kong property developments, depreciation, amortisation and variable annual payments also increased by 14.1% to HK$7,332 million. Excluding our Mainland of China and international subsidiaries, revenue rose by 13.4% and operating profit by 12.9%, while operating margin decreased slightly by 0.2 percentage point to 56.4%. Profit from Hong Kong property developments was HK$531 million compared to HK$627 million in the first half of 2012, and was derived mainly from the sale of inventory units at The Riverpark at Che Kung Temple Station. Excluding investment properties revaluation, net profit from underlying businesses attributable to equity shareholders increased by 5.1% to HK$4,251 million, representing earnings per share of HK$0.73. Gain in revaluation of investment properties was HK$1,907 million, as compared with HK$1,740 million in the first half of 2012. As a result, net profit attributable to equity shareholders was HK$6,158 million, equivalent to earnings per share of HK$1.06 after such revaluation. Your Board has declared an interim dividend of HK$0.25 per share.

Hong Kong Transport Operations

Total revenue in the first half of 2013 from our Hong Kong transport operations reached HK$7,258 million, an increase of 5.0% over the first half of 2012. Operating costs of our Hong Kong transport operations increased by 5.4% to HK$3,822 million, resulting in the operating profit for this business increasing 4.5% to HK$3,436 million, with an operating margin of 47.3%.

Patronage

Total patronage from all of our rail and bus passenger services in Hong Kong rose by 3.6% to 883.1 million. Excluding the Intercity service, total patronage would have increased by 3.6% to 881.0 million.

For our Domestic Service (which comprises the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding the Cross-boundary Service), West Rail and Ma On Shan lines), total patronage reached 713.3 million, a 3.7% increase over the first half of 2012. The increase was driven by continued economic growth and inbound tourism, as well as our service enhancements.

The Cross-boundary Service to Lo Wu and Lok Ma Chau reported a 2.8% rise in patronage to 54.4 million in the six-month period.

Passenger traffic on the Airport Express increased by 5.7% as compared with the first half of 2012 to 6.4 million, supported by a rise in air travel and various promotions.

Passenger volume on Light Rail and Bus during the first six months of 2013 was 106.9 million, a 2.8% increase, while patronage on the Intercity service was 2.1 million, up 7.1%.

Average weekday patronage for all of our rail and bus passenger services in Hong Kong increased by 4.6% to 5.16 million during the first six months of 2013 (5.15 million if excluding the Intercity service). The Domestic Service accounted for the majority of this patronage, achieving a 4.7% increase to 4.22 million.

Market Share

The Company increased its overall share of the franchised public transport market in Hong Kong from 45.8% in the first six months of 2012 to 46.5% in the comparable period of 2013, which was mainly brought about by the increase in market share on our Domestic Service. Within this total, our share of cross-harbour traffic remained at around 66%. The Company's market share of Cross-boundary business for the first six months declined from 54.4% to 53.4%, while market share to and from the airport rose slightly to 21.8% from 21.7%.

Fare Revenue

In April 2013, we concluded the first of a series of five-yearly reviews of the FAM with Government, keeping the overall FAM formula and the direct drive mechanism intact but introducing an objective and transparent methodology to calculate the productivity factor. Under the revised FAM, the productivity factor was calculated to be 0.6% for the five years from 2013 to 2017, resulting in a fare adjustment this year of 2.7%. Without the revision, the adjustment would have been 3.2%, and thus passengers are enjoying fares which are lower than they otherwise would have been.

As part of the FAM review, additional concessions were offered to our passengers. These include an enhanced monthly pass programme called "Monthly Pass Extra" which provides an additional 25% discount for domestic journeys connecting to or from stations beyond those covered by monthly passes, as well as a new "Tung Chung - Nam Cheong Monthly Pass Extra". A new "MTR City Saver" ticket for frequent medium-distance travellers will also be introduced in 2014.

Passengers will also be able to directly share profits of the Company through a profit-related fare concession scheme. In addition, under the new Service Performance Arrangement we will offer concessions directly to passengers in cases where an operational fault on our network due to factors within the Company's control causes a lengthy service disruption. These two fare concessions will be given in the form of the "10% Same-Day Second-Trip Discount" promotion.

Total Hong Kong fare revenue in the first half of 2013 was HK$7,188 million, a 4.9% increase over the same period of 2012. Within this total, the Domestic Service accounted for HK$5,023 million or 69.9%. Average fare per passenger on our Domestic Service increased by 1.6% to HK$7.04, mainly due to adjustments in fares, partly offset by fare concessions.

Fare revenue from the Cross-boundary Service for the first six months of 2013 was HK$1,406 million, an increase of 4.1% over the first half of 2012. Fare revenue from the Airport Express was up 3.6% at HK$401 million. Light Rail and Bus fare revenue during the first half of 2013 was HK$289 million, a 3.6% increase over the same period of 2012, while fare revenue from the Intercity service was HK$69 million, increasing by 7.8%.

Promotions and Concessions

We have designed promotions during the period to attract more patronage and create better value for passengers. We expanded our Tourist Ticket offerings, one of which offered the chance to win complimentary Hong Kong Disneyland admission tickets. To attract more Mainland visitors, a new "Holiday – Hong Kong" Travel e-Book was published promoting the convenience of the MTR network. We continued to offer special promotions for our MTR Club members including a "Bonus Points Scheme", exclusive experiences such as a chance to take a train cab ride and a look behind the scenes at the Operations Training Centre, as well as a 50% discount on the Airport Express for selected members.

Promotions for the Airport Express included an online "Buy 1 Get 1 Free" promotion with credit card companies and free rides for children using Octopus during seleted festive seasons. "Ride to Rewards" members were invited to register for a lucky draw to win an entry to a unique wine tasting charity event held at the site of the decommissioned explosive storage magazine for the West Island Line project.

Operations Performance in first half 2013

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, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.9%**
– East Rail Line (including Ma On Shan Line)	98.5%	99.5%	**99.9%**
– 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, 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 Ma On Shan Line)	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, Tung Chung Line and Disneyland Resort Line	98.0%	99.0%	**99.8%**
– Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line (including Ma On Shan Line)	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, Tung Chung Line, Disneyland Resort Line and Airport Express	N/A	600,000	**3,699,774**
– East Rail Line (including Ma On Shan Line) and West Rail Line	N/A	600,000	**3,788,577**
Ticket reliability: magnetic ticket transactions per ticket failure			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line, Airport Express, East Rail Line (including Ma On Shan Line) and West Rail Line	N/A	8,000	**10,600**
Add value machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.5%**
– East Rail Line (including Ma On Shan Line)	98.0%	99.0%	**99.9%**
– West Rail Line	98.0%	99.0%	**99.8%**
– Light Rail	N/A	99.0%	**99.7%**
Ticket machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.5%**
– East Rail Line (including Ma On Shan Line)	97.0%	99.0%	**99.6%**
– West Rail Line	97.0%	99.0%	**99.5%**
– Light Rail	N/A	99.0%	**99.9%**
Ticket gate reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	**99.8%**
– East Rail Line (including Ma On Shan Line)	97.0%	99.0%	**99.9%**
– West Rail Line	97.0%	99.0%	**99.9%**
Light Rail platform Octopus processor reliability	N/A	99.0%	**99.9%**
Escalator reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	**99.9%**
– East Rail Line (including Ma On Shan Line)	98.0%	99.0%	**99.9%**
– West Rail Line	98.0%	99.0%	**99.9%**
Passenger lift reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	**99.8%**
– East Rail Line (including Ma On Shan Line)	98.5%	99.5%	**99.8%**
– 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	91.0%	**99.5%**
Cleanliness			
– Train compartment: cleaned daily	N/A	98.5%	**99.9%**
– Train exterior: washed every 2 days (on average)	N/A	99.0%	**100.0%**
Northwest Transit Service Area Bus Service			
– Service Delivery	N/A	99.0%	**99.4%**
– Cleanliness: washed daily	N/A	99.0%	**100.0%**
Passenger enquiry response time within 6 working days	N/A	99.0%	**100.0%**

Service and Performance

During the first six months of 2013, our train service delivery and passenger journeys on time across the network were maintained at a world-class standard of 99.9%, which exceeds the targets set out in the Operating Agreement and our own more demanding Customer Service Pledges. This service excellence was recognised by numerous local and international awards. These include "The Best Public Transportation Service Award" in "Sing Tao Excellent Services Brand Award 2012", for the seventh year in a row, "Category Award of Infrastructure & Economic – Public Transportation" for the ninth consecutive year in the "Hong Kong Service Awards 2013" and "Utility Provider (Public Transport) category in Hong Kong" in the "Reader's Digest Trusted Brands Gold Award 2013". The service quality of the Airport Express has recently achieved international recognition with the "North Star Air Rail Link of the Year" award in the Global AirRail Awards 2013.

The Listening • Responding programme continued to drive improvements in services and performance in those areas where passengers have said they would like to see us do more. The positive response we have received from passengers to the changes we have made is very encouraging. Building on the success achieved in 2012, major initiatives in 2013 are focusing on providing more barrier-free access to stations, enhancing passenger communications and increasing train service frequency.

Making MTR journeys more convenient and comfortable, especially for senior citizens, persons with disabilities and those travelling with baby prams, is one priority. Work is underway to install additional 52 wide gates in 30 MTR stations in 2013, of which 13 were already in place by the end of June. A new external lift will be completed at Shek Kip Mei Station later this year and eight more lifts will open by 2015. By that time, all but three of the existing 83 full-time MTR stations will have at least one independent barrier-free access point. In addition, new Customer Service Centres that are brighter and more accessible to those with disabilities have replaced the existing service centres at 15 of our busiest stations.

To provide timely and user-friendly information to passengers, we have upgraded our flagship MTR Mobile app, thus making it easier for passengers to be updated instantly about changes in train services. Since July 2013, free Wi-Fi hotspots have become available at all 84 MTR stations to help passengers stay connected.

Following the addition of more than 1,200 weekly train trips in 2012, we have continued to enhance services in different sections of the rail network to provide passengers with more convenient and comfortable journeys. From 20 April 2013, train services on the East Rail Line were increased on Saturdays, while more couple-sets were deployed on the busier Light Rail routes on weekends. An additional 75 weekly train trips will be added on different lines by the end of August 2013. This year, we also launched an initiative to make journeys quieter by installing inflatable door seals to trains. Three trains running on the Tseung Kwan O Line are now fitted with such seals and work will begin later this year to retrofit 90 train sets.

To provide better connectivity for passengers and enhance the general station ambiance, Fo Tan Station is currently undergoing a major refurbishment programme which includes joining the two currently separated concourses.

The Listening • Responding programme is an important pillar in our service offering and we will continue to explore new enhancement opportunities by listening and responding to views from users of our transport network.

To maintain good passenger safety performance, in addition to assistants in stations, we have increased both the number and the visibility of safety messages on trains and in stations. Safety promotion initiatives focusing on passenger behaviour on escalators have resulted in a notable reduction in escalator related accidents. We continue to instil a safety-first culture in our workforce, encouraging reporting of potential hazards and near-miss incidents for timely mitigation through various channels, including an internal mobile app.

To promote continuous improvement in safety, in February 2013 we engaged an external consultant to conduct an assessment of our Operations Division Safety Management System using the Railway Management Maturity Model developed by the Office of Rail Regulation in the UK. We achieved an excellent result, with our performance far better than the 2012 average for UK train operating companies.

We have also continued to explore energy saving initiatives to enhance productivity. An Energy Saving Competition was launched at the end 2012 and 31 proposals have been shortlisted for trial in 2013.

Hong Kong Station Commercial Businesses

Revenue from our Hong Kong station commercial businesses rose by 29.1% in the first half of 2013 to HK$2,194 million. The increase was derived mainly from higher station retail revenue. Operating costs of our Hong Kong station commercial businesses increased by 9.6% to HK$206 million, resulting in the operating profit for this business increasing 31.6% to HK$1,988 million, with an operating margin of 90.6%.

Station retail revenue increased 39.9% to HK$1,449 million. The increase was due to the significant rental increases at the Duty Free Shops at Lo Wu and Hung Hom stations under the new licence which commenced in January 2013, as well as higher rentals arising from trade mix refinements and favourable renewal rates in our station shops. As at 30 June 2013, the number of station shops was 1,329, spread across 55,946 square metres of retail space. Branding campaigns which reinforced the "Stylish Convenience" positioning of MTR Shops were launched to increase their appeal. To promote MTR Shops and stimulate spending, an "MTR Club Bonus Points Scheme" was launched, under which customers are rewarded with a "Bonus Points Card" instantly upon designated spending at participating MTR Shops.

Advertising revenue during the first six months of 2013 increased by 6.1% to HK$454 million, with the number of advertising units rising by 224 to 44,875. Innovation in formats continued, with a "Supernova Zone", which blends advertising panels with interactive devices, installed in Hong Kong Station. The upper platform and Jardine Bazaar exits of Causeway Bay Station were also enhanced to improve their advertising potential.

Revenue from telecommunications in the first half of 2013 rose by 29.9% to HK$217 million due mainly to incremental revenue from the launch of additional mobile phone services and capacity enhancement projects. Enhancement of 2G and 3G data capacity was completed at 14 more stations during the six months. By the end of June 2013, 4G mobile phone service was available at 66 stations.

Hong Kong Property and Other Businesses

During the first half of 2013, market sentiment in the Hong Kong property market continued to be dampened by the series of Government measures intended to stabilise prices and curb speculation. As a result, transaction volumes for sales of both residential and commercial property declined sharply. Average home prices remain supported by the prevailing low interest rates and only moderated slightly. Primary flat sales volume also shrank due to the delayed launch of new residential projects for sale after the Residential Properties (First-hand Sales) Ordinance took effect in late April 2013. Office leasing activities in Central remained subdued amid softer demand from traditional financial tenants, while the retail property market continued to be supported by domestic consumption and growth in inbound tourism.

Property Development in Hong Kong

Profit from Hong Kong property developments in the first half of 2013 was HK$531 million. This mainly comprised the sale of inventory units at The Riverpark at Che Kung Temple Station, Lake Silver and Island Harbourview.

During the first half of 2013 sales for The Riverpark continued, with 93% of the 981 units sold as at 30 June 2013. The Certificate of Compliance for The Riverpark was issued in April 2013 and units are now being handed over to purchasers.

With regard to tendering activities, the Long Ping Station (South) site, where we act as agent for the relevant subsidiary of Kowloon-Canton Railway Corporation ("KCRC"), was tendered in May 2013. The site was awarded to a member company of Chinachem Group on 5 June 2013. In the meantime, we are examining the development packages for the Tai Wai Station, Tin Shui Wai Light Rail and LOHAS Park Package 4 sites with a view to putting these projects out to tender, depending on market conditions.

Progress continued to be made on future development sites. The Master Layout Plan for the Wong Chuk Hang site along the South Island Line (East) was approved by the Town Planning Board in February 2013.

In response to Government's request, we are exploring opportunities for other new developments along our railway lines in order to provide more housing supply.

Property Rental and Management Businesses in Hong Kong

Revenue from our Hong Kong property rental and property management businesses in the first half of 2013 rose by 10.8% to HK$1,842 million. Operating costs increased by 9.4% to HK$304 million, resulting in operating profit increasing 11.0% to HK$1,538 million, with an operating margin of 83.5%.

Total property rental income in Hong Kong was HK$1,735 million, 10.7% higher than in the first six months of 2012. Our shopping mall portfolio achieved an average 15% increase in rental reversion for the period. At the end of June 2013, our shopping malls in Hong Kong and the Company's 18 floors at Two International Finance Centre ("Two ifc") remained close to 100% let.

As at 30 June 2013, the Company's attributable share of investment properties in Hong Kong was 213,278 square metres of lettable floor area of retail properties, 40,969 square metres of lettable floor area of offices, and 14,282 square metres of property for other use.

Our retail portfolio again benefited from investments designed to improve the properties' attractiveness, efficiency and environmental performance. Many of our MTR shopping malls were installed with electric vehicle chargers. Our energy conservation initiatives, ranging from improved lighting to air conditioning improvements, were recognised in numerous awards. These include the Indoor Air Quality Certificate (Good Class) from the Environmental Protection Department, as well as the Gold Certificates for Elements and Maritime Square and Blue Certificates for Ocean Walk, Hanford Plaza and Citylink Plaza under the Quality Water Recognition Scheme for Buildings of the Water Supplies Department. Our MTR Malls also actively participated in the "Food Wise Charter" of

Property Development Packages Completed during the period and Awarded

Location	Developers	Type	Gross floor area *(sq. m.)*	Period of package tenders	Expected completion date
LOHAS Park Station					
Package Three	Cheung Kong (Holdings) Ltd.	Residential Kindergarten	128,544 1,000	Awarded in November 2007	2014
Austin Station					
Sites C and D	New World Development Co. Ltd. and Wheelock Properties Limited	Residential	119,116	Awarded in March 2010	2014
Tuen Mun Station#					
Century Gateway	Sun Hung Kai Properties Ltd.	Residential Retail	119,512 25,000	Awarded in August 2006	By phases from 2012 – 2013
Tsuen Wan West Station#					
City Point	Cheung Kong (Holdings) Ltd.	Residential	113,064	Awarded in September 2008	2014
TW5 Cityside	Chinachem Group	Residential Retail	66,114 11,210	Awarded in January 2012	2018
TW5 Bayside	Cheung Kong (Holdings) Ltd.	Residential Retail Kindergarten	167,100 40,000 550	Awarded in August 2012	2018
TW6	New World Development Co. Ltd. and Vanke Property (Overseas) Limited	Residential	62,711	Awarded in January 2013	2018
Nam Cheong Station#					
Nam Cheong	Sun Hung Kai Properties Ltd.	Residential Retail Kindergarten	214,700 26,660 1,000	Awarded in October 2011	By phases from 2017 – 2019
Long Ping Station#					
Long Ping (North)	K. Wah International Holdings Limited and Sino Land Company Limited	Residential	48,675	Awarded in October 2012	2018
Long Ping (South)	Chinachem Group	Residential	41,990	Awarded in June 2013	2019

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

Property Development Packages to be Awarded Notes 1 and 2

Location	No. of packages envisaged	Type	Gross floor area *(sq. m.)*	Period of package tenders	Expected completion date
LOHAS Park Station	6 – 10	Residential Retail	1,025,220 – 1,035,220 39,500 – 49,500	2013 – 2017	2020
Tai Wai Station	1	Residential Retail	190,480 62,000	2013	2018 – 2019
Tin Shui Wai Light Rail	1	Residential Retail	91,051 205	2013	2018
Wong Chuk Hang Station	3 – 6	Residential Retail	357,500 47,000	2015 – 2020	2024
Ho Man Tin Station	2	Residential	128,400	2015 – 2018	2021

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.

the Food Wise Hong Kong Campaign and the "Energy Saving Charter 2013" organised by the Environmental Protection Department.

Hong Kong property management revenue in the first six months of 2013 rose by 12.6% to HK$107 million. As at 30 June 2013, the number of residential units under our management in Hong Kong had risen by 3,177 to 89,443, with additional units from The Wings, The Riverpark and La Splendeur. The area of managed commercial space was 763,018 square metres. During the six months, our MTR properties also gained recognition, including three awards for The Palazzo in the "11th Quality Building Management Competition – Shatin District".

Other Businesses

The Ngong Ping cable car ("Ngong Ping 360") and associated theme village achieved a 75.9% increase in revenue in the first six months of 2013 to HK$153 million. Visitor numbers for the period reached approximately 800,000 and reliability exceeded the target of 99.65%. Ngong Ping 360 completed a major haul rope replacement project in March 2013, which was part of the predictive maintenance regime designed to ensure system reliability. Ridership was supported by numerous promotional activities, including a Guinness World Record skipping event involving 46 local athletes.

Revenue from our consultancy business in the first half of 2013 was HK$60 million, an increase of 36.4% over the same period of 2012. Consultancy services were provided to clients in Hong Kong, Australia, the Middle East and Macau.

Octopus continued to expand its presence in the retail sector and the Company's share of Octopus' net profit for the first half of 2013 was HK$102 million, a 7.4% increase over 2012. By 30 June 2013, over 5,000 service providers in Hong Kong were using the Octopus service. Total Octopus cards and other stored-value Octopus products in circulation during the period were 23.3 million. Average daily transaction volume and value were 12.7 million and HK$134.8 million respectively.

Income from project management services to Government, predominantly for entrustment works on the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("Express Rail Link") and Shatin to Central Link, was HK$670 million in the first six months of 2013, an increase of 102.4% over the same period of 2012. Income from the entrustment works is booked on a cost recovery basis.

Mainland of China and International Businesses

Revenue in the first six months of 2013 from our railway subsidiaries outside of Hong Kong, namely Metro Trains Melbourne Pty. Ltd. ("MTM"), MTR Stockholm AB ("MTRS") and MTR Corporation (Shenzhen) Limited ("SZMTR"), was HK$6,954 million. This represents an increase of 9.8% over the same period of 2012, and is mainly the result of increases in contracted revenue and, for SZMTR, higher passenger numbers. Operating costs were HK$6,506 million, resulting in a 34.5% rise in operating profit to HK$448 million and an operating profit margin of 6.4%.

Our associates outside of Hong Kong, Beijing MTR Corporation Limited, London Overground Rail Operations Limited ("LOROL") and Tunnelbanan Teknik Stockholm AB ("TBT") maintained their good performance. After the commencement of operation of Hangzhou Metro Line 1 ("HZL1") on 24 November 2012, we have for the first time included the full half year results of our new 49% owned associate, Hangzhou MTR Corporation Limited ("HZMTR"), which incurred an operating loss higher than our original forecast, due mainly to lower than expected passenger numbers. Plans have been put into place to enhance patronage on this line. Our overall share of losses from these four associates for the first six months in 2013 was HK$51 million.

Total passengers carried by our rail subsidiaries and associates outside of Hong Kong was approximately 652 million in the first half of 2013, against approximately 556.5 million in the first half of 2012.

Railway Businesses in the Mainland of China

In the Mainland of China, Beijing Metro Line 4 ("BJL4") and the Daxing Line continued to exceed service targets. Combined ridership in the first half of 2013 was 212.7 million passenger trips, with average weekday patronage of more than 1.2 million. The two lines have 35 stations and a combined length of 50 km.

In May 2013, Phase 1 of the BJL14 opened on schedule. The 12.4-km section of the new line has seven stations, running from Zhangguozhuang Station to Xiju Station in the south-western part of Beijing. The service performance has been satisfactory since the line opening, with average weekday patronage of 40,000.

Shenzhen Metro Longhua Line ("SZL4") operational performance also exceeded targets during the period. Ridership for the six months was 64 million, with average weekday patronage reaching 350,000. The line runs 20.5 km and has 15 stations.

HZL1, which has 31 stations covering 48 km, recorded a ridership of 34.5 million for the six months. Since commencement of operations in November 2012, HZL1's service performance has been good. Ridership of the line is below the original forecast although its average weekday patronage has increased to over 300,000 after the recent opening of the Hangzhou East high speed rail station. We have launched initiatives to drive patronage growth.

Railway Businesses Overseas

In the UK, LOROL continued to gain recognition for its excellence in service delivery. The network now extends to 57 stations over 124 km. Ridership in the period was over 63 million, with weekday average exceeding 430,000. LOROL won several awards during the period, including "Golden Whistles Awards" in the areas of Operational Performance and Operational Safety from the Institution of Railway Operators in January 2013, as well as three awards in the annual London Transport Awards in March 2013, namely "London 2012 Transport Teams", "Frontline Employee of the Year" (joint winner) and "Rail Station of the Year" (highly commended). In recognition of LOROL's outstanding performance over the past five years, Transport for London ("TfL") has extended our franchise to operate and maintain the London Overground rail services from November 2014 to November 2016.

In Stockholm, MTRS' services in the capital continued to meet or exceed the contractual requirements. Ridership for the six months was about 166.4 million, with average weekday patronage reaching 1.2 million. The line consists of 100 stations and runs 110 km.

In Melbourne, patronage on MTM held steady. Ridership for the six months was 111.7 million, with average weekday patronage reaching 786,000. The line has 217 stations and runs 390 km. In February 2013, the safety related advertising campaign of MTM won the prestigious "Ad Campaign of the Year" and "Ad of the Year" awards at the AdNews Agency of the Year Awards.

Property Development, Rental and Management Businesses in the Mainland of China

MTR Property Development (Shenzhen) Company Limited is in the process of developing Shenzhen Metro Longhua Line Depot Site Phase 1. The total developable gross floor area of the site is approximately 206,167 square metres. Depending on market conditions, pre-sale can take place as early as the end of 2014.

We continue actively to pursue other rail plus property opportunities in the Mainland of China. On 5 August 2013, Tianjin TJ-Metro MTR Construction Company Limited, a joint venture company formed by a wholly-owned subsidiary of the Company (49%) and Tianjin Metro (Group) Company Limited (51%) won the bidding for the land use right for a site at Beiyunhe Station on Tianjin Metro Line 6 in Tianjin, at a price of RMB2,075 million. The total developable gross floor area of the site is approximately 278,650 square metres. The joint venture company will develop the site for residential and commercial use.

Revenue from our property rental and property management businesses in the Mainland of China increased by 6.0% to HK$71 million for the six months of 2013. Our shopping mall in Beijing, Ginza Mall, achieved an occupancy rate of 100% at the end of June 2013.

The Company's managed gross floor area in the Mainland of China remains unchanged at 233,000 square metres. This comprised AO City Fortune Centre in Beijing, with 22,000 square metres of commercial and 63,000 square metres of residential space, and the North Star Shopping Center and offices in Beijing with 148,000 square metres of commercial space.

Future Growth

The first six months of 2013 saw steady progress on our network expansion projects in Hong Kong, as well as in the Mainland of China.

Growth in Hong Kong

The 3-km West Island Line is an extension of the Island Line. As at 30 June 2013, the project was 74% complete and remains on schedule to open next year.

Civil construction works up to concourse level at all three new stations are complete. Kennedy Town Station was topped out in April 2013. The tunnels are lined and complete, with rail installed in both uptrack and downtrack tunnels. The new trackwork connection to the existing Sheung Wan Station and Island Line is complete. Works trains are now in full operation supporting the installation of services in the tunnels and the stations. Electrical and Mechanical ("E&M") installation works, to fit out the stations and tunnels, are progressing well. Construction of the station entrances continues.

The 7-km South Island Line (East) will extend MTR services from Admiralty to the Southern District of Hong Kong Island, with a train depot located in Wong Chuk Hang. As at 30 June 2013, the project was 41% complete and is on target to open in 2015.

Excavation at the Admiralty Station extension site is under way to construct the new integrated station for the South Island Line (East) and Shatin to Central Link. A combination of open cut excavation and drill and blast tunnelling methods is being used and, overall, 25% of the excavation has been completed. Drill and blast excavation of the Nam Fung Tunnel is 40% complete to connect to the southern area of Hong Kong Island. The first viaduct section between the Nam Fung portal and Ocean Park Station is complete and noise barrier installation has commenced. The foundations, substructure and concourse levels of Ocean Park and Wong Chuk Hang stations are also complete. At the Wong Chuk Hang Depot, the substructure is 90% complete and superstructure works are well advanced. Structural works for the Aberdeen Channel Bridge have been completed, while tunnel and cavern excavation between Lei Tung and South Horizons stations is 90% complete. Procurement of the railway system E&M contracts has been completed and design works are in progress.

The 2.6-km Kwun Tong Line Extension will extend the Kwun Tong Line from its existing terminus at Yau Ma Tei Station to new stations in Ho Man Tin and Whampoa. As at 30 June 2013, the project was 44% complete and remains on schedule to open in 2015.

Site formation excavation at Ho Man Tin Station passed 80% completion and tunnel excavation between Yau Ma Tei and Whampoa stations was 28% complete by end June 2013. At Whampoa Station, cofferdam piling for both concourses is 90% complete.

The 26-km Express Rail Link, funded by Government, will provide high speed cross-boundary rail services connecting Hong Kong to Shenzhen, Guangzhou and the high speed rail network in the Mainland of China. Served by the West Kowloon Terminus, it is on schedule for completion in 2015. As at 30 June 2013, the project was 41% complete.

At the West Kowloon Terminus, access was given to E&M contractors from March 2013. Diaphragm wall panels for the approach tunnel at West Kowloon Terminus are complete, along with 17% of the Terminus concrete structure. Tunnel breakthrough was achieved at Kwai Chung and the last Tunnel Boring Machine ("TBM") was launched from Mai Po. By end June 2013, 78% of all tunnel and adit excavations had been achieved.

The 17-km Shatin to Central Link, funded by Government, has two sections and ten stations, including six interchange stations linking existing and future railway lines. The first phase is scheduled for completion in 2018 and the second phase in 2020.

During the period, 19 civil and ten E&M works contracts were awarded. Scoping and sequencing for the Hung Hom to Admiralty section is 50% complete. Civil works on the Tai Wai to

Hung Hom section commenced and construction of TBM tunnel launching shafts at To Kwa Wan and Diamond Hill is progressing.

The number of railway construction sites underway in Hong Kong rose to about 180, with over 11,400 workers employed daily. Our safety programmes secured more awards, and events such as "Safety Week", "Worker Health" and "Well-being Month" and a campaign to address heat stress helped raise awareness.

Separately, on our existing MTR network, accessibility to the system was improved with the new integrated entrance at Che Kung Temple Station connecting to the property development, The Riverpark, while construction of the Tsim Sha Tsui Station entrance A1 enhancement works is progressing. The Carnarvon Road Subway project linking Tsim Sha Tsui Station and the K11 Art Mall was authorised in March 2013.

Support for sustainable development of the railway network during the public engagement for RDS-2U was overwhelming. We are ready to collaborate with Government to continue with expansion of the rail network beyond 2020 for the benefit of the travelling public of Hong Kong.

Growth in the Mainland of China and Overseas

In Beijing, BJMTR initialled the Concession Agreement with the Beijing Municipal Government for BJL14 in November 2012. Under the RMB50 billion Public-Private-Partnership project, BJMTR is responsible for provision of E&M systems and rolling stock, as well as operation and maintenance of the line over a term of 30 years. The line runs for 47.3 km and has 37 stations, including ten interchange stations. Phase 1 commenced operation on 5 May 2013, while Phases 2 and 3 are targeted to open in 2014 and 2016 respectively.

The Company submitted a proposal for the construction and operating concession for Shenzhen Metro Line 6 ("SZL6") in April 2013 and we have been selected by the Shenzhen Development and Reform Commission as the potential foreign investor for the project.

In Australia, a consortium of which the Company is a member, was shortlisted to bid for the Operations, Trains and Systems Contract for the Sydney North West Rail Link in May 2013. If successful, this would be our first Public-Private-Partnership project overseas.

In the United Kingdom, we have been shortlisted to tender for both the Essex Thameside and Thameslink franchises. These tenders were suspended as part of an independent review of the UK's entire rail franchising process following a legal challenge relating to another franchise. The Department for Transport has announced that a revised Invitation to Tender for these two franchises will be issued to bidders later in the year. We were also shortlisted to tender for the Crossrail concession by TfL in June 2013.

Financial Review

The Group continued to deliver good financial performance in its recurrent businesses in the first half of 2013. Total revenue in the first half of 2013 increased by 12.0% to HK$19,214 million. Driven by patronage growth in all services, revenue from Hong Kong transport operations rose by 5.0% to HK$7,258 million. Revenue from Hong Kong station commercial businesses grew by 29.1% to HK$2,194 million mainly due to the significant increase in rental rates from licence renewal of the Duty Free Shops at Lo Wu and Hung Hom stations effective on 1 January 2013. Hong Kong property rental and management income also increased by 10.8% to HK$1,842 million as a result of positive rental reversion and the full-period contribution from PopCorn which opened in late March 2012. Income from other businesses rose significantly, by 88.0% to HK$895 million, mainly due to the project management fee on the Shatin to Central Link booked on a cost recovery basis commencing in June 2012. Excluding all the project management fees, income from other businesses increased by 55.2%, mainly due to a lower comparative income from Ngong Ping 360 in 2012 as a result of the suspension of cable car services from late January to early April 2012. Outside of Hong Kong, revenue from the railway subsidiaries in Stockholm, Melbourne and Shenzhen, as well as property rental and management in the Mainland of China, increased by 9.7% to HK$7,025 million, mainly attributable to the increase in income from the operations in Melbourne and Stockholm.

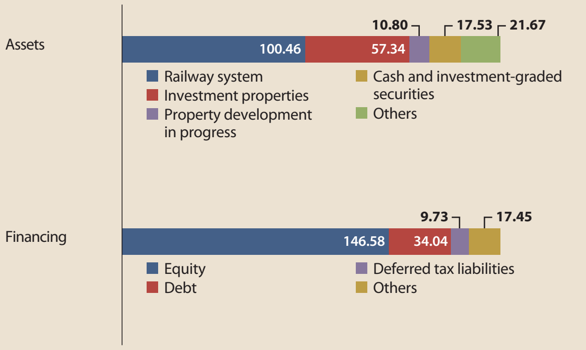
Total operating costs increased by 10.8% to HK$11,882 million. Expenses relating to Hong Kong transport operations increased by 5.4%, slightly higher than the revenue growth, mainly due to above-inflation increases in the energy tariff rate and Government rent and rate charges, as well as additional maintenance and railway support expenditures for service enhancement under the Listening • Responding programme. Expense growth rates in our Hong Kong station commercial businesses, Hong Kong property rental and management businesses and Mainland of China and international subsidiaries were below their corresponding revenue growth rates, at 9.6%, 9.4% and 8.4% respectively. As a result of booking the Shatin to Central Link project management on a cost recovery basis, expenses relating to other businesses increased by 74.4%. Excluding these project management costs, expense growth was 10.3%. Project study and business development expenses increased by 55.0% to HK$155 million, mainly due to expenditure for railway franchise bids in Australia and the United Kingdom.

Operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment ("EBITDA") increased by 14.1% to HK$7,332 million, with operating margin improving from 37.5% in 2012 to 38.2%. Excluding subsidiaries outside of Hong Kong, EBITDA increased by 12.9% to HK$6,872 million with a slight decrease in EBITDA margin from 56.6% in 2012 to 56.4%.

Hong Kong property development profit was 15.3% less than the same period last year at HK$531 million, and was mainly derived from the sale of inventory from The Riverpark, Island Harbourview and Lake Silver, as well as receipt of sharing-in-

Simplified Consolidated Balance Sheet

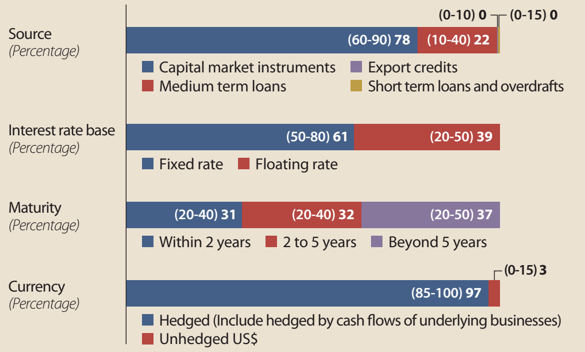
As at 30 June 2013
(HK$ billion)



Preferred Financing Model and Debt Profile

The Preferred Financing Model exemplifies the Company's prudent approach to debt management and helps ensure a well balanced debt portfolio.

(Preferred Financing Model) *vs.* **Actual debt profile**
As at 30 June 2013



kind assets at The Riverpark. Depreciation and amortisation increased slightly by 1.7% to HK$1,641 million, while the variable annual payment increased substantially by 46.5% to HK$589 million as the relevant revenue derived from KCRC's assets has reached the highest progressive charge rate of 35%. Profit before interest and finance charges was therefore 11.8% better than the same period last year at HK$5,633 million.

Interest and finance charges increased by 0.7% to HK$435 million. The increase in value of investment properties since the end of 2012 was HK$1,907 million as compared to HK$1,740 million for the same period last year. The share of profits of associates, including Octopus Holdings Limited and its subsidiaries as well as railway associates in the Mainland of China and overseas, decreased by 82.9% to HK$51 million mainly due to the share of HK$161 million of loss of HZMTR, as well as the lower profit from Beijing MTR Corporation Limited due to BJL14's pre-operating expenses and one-off adjustments made for BJL4 in 2012. Excluding these, the Group's share of profits of associates increased by 4.3% to HK$243 million.

After deducting income tax of HK$900 million and the non-controlling interests' share of profit of HK$98 million, net profit attributable to shareholders of the Company was HK$6,158 million, increasing by 6.4% as compared to the same period last year. Earnings per share therefore increased from HK$1.00 to HK$1.06. Excluding investment property revaluation, profit from underlying businesses attributable to shareholders increased by 5.1% to HK$4,251 million, of which HK$3,804 million, a 8.0% increase over the first half of 2012, was derived from recurrent businesses while HK$447 million, a 14.7% reduction as compared to the same period last year, was derived from property developments. Earnings per share based on the underlying business profit increased from HK$0.70 to HK$0.73. The Board has declared an interim dividend of HK$0.25 per share.

The Group's balance sheet strengthened further with net assets increasing by 2.4% from HK$143,111 million as at 31 December 2012 to HK$146,583 million as at 30 June 2013. Total assets increased by 0.5% to HK$207,796 million as a result of the investment property revaluation gain, capitalisation of further construction of the South Island Line (East) and Kwun Tong Line Extension, as well as property development costs incurred for the Ho Man Tin and Wong Chuk Hang sites. These asset additions were partly offset by the decrease in cash balance, reductions in properties held for sale due to the sale of units in inventory and settlement of accounts receivable on property developments under debtors, deposits and payments in advance. Total liabilities decreased by 3.7% to HK$61,213 million mainly due to the settlement of the land cost for the Shenzhen Metro Longhua Line Depot Site and the utilisation of the Government subsidy for the construction of the West Island Line under creditors and accrued charges. Total loan outstanding decreased from HK$23,577 million as at 31 December 2012 to HK$23,231 million as at 30 June 2013. With the decrease in cash balance, the net debt-to-equity ratio increased from 11.0% as at 31 December 2012 to 11.6% as at 30 June 2013.

The Group continued to maintain a strong cash position during the first half of 2013. Excluding working capital movement, net cash inflow generated from operating activities increased by 14.3%, similar to the EBITDA growth, to HK$7,369 million. Including working capital movement, receipt of government subsidy for the Shenzhen Metro Longhua Line operation and tax payment, net cash inflow from operating activities increased only slightly by 1.0% to HK$8,056 million due to additional rental deposits collected in 2012 for the renewed Duty Free Shops licence. Cash received from property developments was HK$2,422 million, mainly from the sale of units and reimbursement of land premium in respect of The Riverpark. Including dividends and loan repayment received from associates, net cash receipt in relation to the Shatin to Central Link entrustment works and other miscellaneous cash receipts, total cash inflow in the period was HK$10,588 million. Total capital expenditure paid was HK$7,652 million, comprising HK$3,857 million for the construction of new railway extensions, HK$1,400 million for asset additions of existing operations and HK$2,395 million for property renovation and developments, which included RMB1,577 million in relation to the settlement of land cost for the

Shenzhen Metro Longhua Line Depot Site. Including variable annual payment of HK$883 million, net interest payment of HK$288 million and dividend payment of HK$3,209 million, total cash outflow in the period was HK$12,032 million. As a result, the Group recorded a net cash outflow of HK$1,444 million before financing activities. Including a net loan repayment of HK$106 million, the Group's cash balance decreased by HK$1,550 million to HK$17,059 million.

Financing Activities

After hitting historical lows in 2012, US Treasury yields remained subdued in 2013 until the beginning of May when concerns over the tapering of the Federal Reserve's bond buying programme saw 10-year and 30-year yields rise from lows of 1.63% per annum and 2.82% per annum respectively to 2.49% per annum and 3.50% per annum on 30 June. With the rise in levels and volatility in Treasury yields, US dollar bond issuance activities significantly slowed in June. Short-term interest rates, however, were lower compared with the same period last year with the average 3-month USD-LIBOR and 3-month HKD-HIBOR falling to around 0.28% per annum and 0.38% per annum.

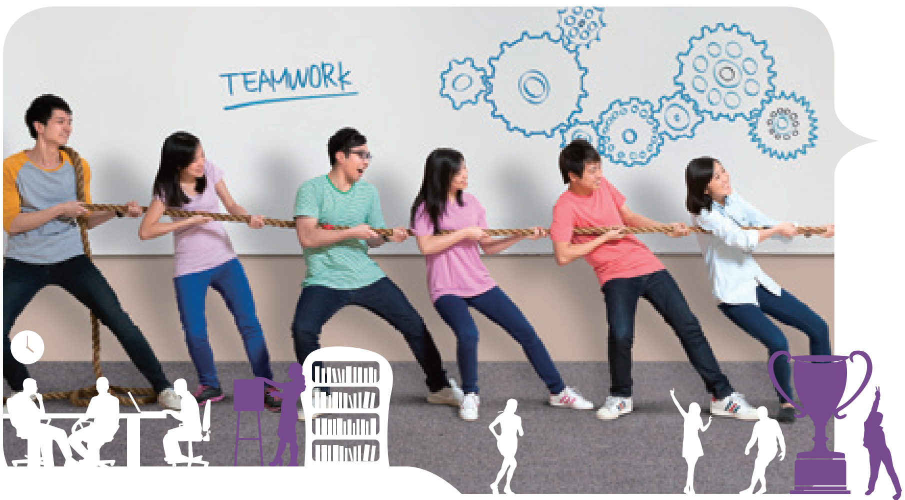
The Group took advantage of the near-historical low Treasury yields and HK dollar interest rates to issue two tranches of 30-year Hong Kong dollar fixed rate notes totalling HK$700 million with a coupon rate of 3.25% per annum and a 30-year US dollar fixed rate note for US$90 million with a coupon rate of 3.65% per annum. Totalling about HK$1,400 million, these notes further lengthened the debt maturity profile and helped lock in attractive fixed rate long-term funding for the Group.

Despite continued economic uncertainties and regulatory issues, bank liquidity and appetite to lend improved significantly during the period. Loan pricing has dropped significantly from the highs in mid-2012 and banks were willing to lengthen maturity. As a strategy to diversify its funding sources, the Group arranged, on a bilateral basis, HK$2,300 million of revolving term loan facilities during the first half of 2013, with 5 and 7-year maturities.

The liquidity position of the Group remained strong. At the end of June 2013, the Group had total cash and bank deposits balance of HK$17,060 million, as well as total undrawn committed banking facilities of HK$7,003 million, which will provide sufficient forward coverage of our funding needs well into the first half of 2014.

The Group's debt portfolio was prudently managed and remains well diversified in accordance with the Preferred Financing Model. At the end of June 2013, 31.1% of the Group's total debt outstanding had maturity of within 2 years, 32.3% between 2 and 5 years, and 36.6% beyond 5 years, with acceptable refinancing risk. Foreign exchange rate risk was well managed, with 97% of debt outstanding in HK dollars, hedged into HK dollars, or hedged by foreign currency cash flows from underlying businesses. Approximately 60.6% of debt outstanding was in fixed rate, indicating a moderate exposure to interest rate risk.

During the first half of 2013, the Group's weighted average borrowing cost increased slightly to 3.5% per annum from 3.3% per annum during the same period last year, mainly due to a higher level of fixed rate debt.



Human Resources

The Company, together with its controlled subsidiaries, employed 15,767 people in Hong Kong and 6,933 outside of Hong Kong as at 30 June 2013.

To meet the Company's manpower needs for business expansion and succession planning, we continued our efforts in staff recruitment and development. During the first six months of 2013, a total of 1,036 new hires were made, and 654 people were promoted internally. Different resourcing channels were used and various development schemes designed for graduate trainees, functional associates and apprentices are in place to attract and develop talent. Staff turnover remained low at 4.1%.

The Company was selected as the "Most Attractive Employer", according to a survey conducted in Hong Kong by the Randstad Group, one of the world's largest human resources service firms. The results echoed the findings of our 2012 Staff Attitude Survey, conducted in October last year, in which 88% of our staff agreed that they were proud to be a staff member of MTR, while 81% agreed that MTR was a good employer.

New batches of talent were identified under the Executive Associate Scheme and People Development Initiative for further development along the Integrated Leadership Pipeline. The Executive Continuous Learning Programme kept Executive Managers and Senior Managers abreast of the latest business best practices and management insights. Our first "Leaders Forum" was held in April 2013, with CEO-level executives from multinational companies in different industries sharing their insights.

Our long-standing programmes to promote MTR's culture of excellence, learning and caring continued. Under the Academy of Excellent Service, we established an "AES Channel", a "TV" channel broadcasting videos of service tips in stations. A mobile learning app called "ESpedia" is also in place to provide handy service-related information to staff.

More than 2,200 sessions of the "Enhanced Staff Communication Programme" were organised in the first half of 2013, with over 30,000 participants, to strengthen two-way communication between line managers and frontline staff. Forums for Executive Managers and CEO audio messages were developed as new channels to enhance communication and interaction with senior management.

"Work Improvement Team" ("WIT") training to encourage collective innovation and continuous improvement continued. The WIT culture was further instilled in the Mainland of China with the formation of the Beijing WIT Steering Committee.

During the first six months of 2013, 3,075 courses were delivered providing 3.1 training days per Hong Kong employee. The Company's efforts in training and development gained recognition globally, winning three awards in the American Society for Training and Development (ASTD) Award.

Community Engagement

The Company's commitment to corporate responsibility saw 93 community projects under the "More Time Reaching Community" Scheme take place during the first six months of the year involving over 2,100 volunteers. MTR has been a supporter of the Hong Kong Athletes Career & Education Programme which aims to give retired athletes job opportunities as well as life skills training.

With regard to our new railway projects under construction in Hong Kong, we continue to listen and respond to the opinions of the community through various channels. During the course of our construction works, we have maintained relationships with the community through numerous charity, environmental and volunteering activities, and have aimed to minimise disruption to traffic, pedestrians and residents. Of note was a charity fund raising event organised by the Company at the site of the decommissioned explosive storage magazine for the West Island Line project. Some 400 donors enjoyed the evening of wine and music, which raised HK$1.24 million for The Community Chest to enhance its services to the needy.

Outlook

Uncertainties continue to hang over the global economy, and there have been signs of a slow-down in the economy of the Mainland of China in recent months from its outstanding growth in past years.

All of our recurrent businesses in and outside Hong Kong remain robust. However, these may, to some extent, be affected by changes in the global economy. Our businesses outside of Hong Kong should increase revenue further as these franchises mature and we will continue to pursue new opportunities as they arise.

As mentioned before, based on the existing construction programme, we do not expect booking of development profits from property projects under development in the second half of this year, but may have profit contribution from the sale of inventory units.

Looking forward, we expect the next projects for pre-sale will be The Austin (Austin Station Site C) and LOHAS Park Package 3, depending on market conditions.

In our property tendering activities, depending on market conditions, we may tender the development sites at Tai Wai Station, Tin Shui Wai Light Rail and LOHAS Park Package 4.

Finally, I would like to thank my fellow Board Members and all my MTR colleagues for their contributions during the past six months, which have set us on the right track for the full year. I welcome two new members of the Executive Committee, Mr Stephen Law, who joined us as our Finance Director on 2 July 2013, and also Ms May Wong, who was appointed as General Manager – Corporate Relations on 10 January, upon the retirement of Mrs Miranda Leung.

Jay H Walder, *Chief Executive Officer*
Hong Kong, 26 August 2013

Key Figures

	Half-year ended 30 June 2013	Half-year ended 30 June 2012	% Increase/ (Decrease)
Financial highlights *(HK$ million)*			
Revenue			
– Hong Kong transport operations	**7,258**	6,914	5.0
– Hong Kong station commercial business	**2,194**	1,699	29.1
– Hong Kong property rental and management businesses	**1,842**	1,663	10.8
– Mainland of China and international subsidiaries	**7,025**	6,402	9.7
– Other businesses	**895**	476	88.0
Operating profit before Hong Kong property developments, depreciation, amortisation and variable annual payment	**7,332**	6,428#	14.1
Profit on Hong Kong property developments	**531**	627	(15.3)
Operating profit before depreciation, amortisation and variable annual payment	**7,863**	7,055#	11.5
Profit attributable to equity shareholders arising from underlying businesses	**4,251**	4,045#	5.1
Total assets	**207,796**	206,687^#	0.5
Loans, other obligations and bank overdrafts	**23,231**	23,577^	(1.5)
Obligations under service concession	**10,671**	10,690^	(0.2)
Total equity attributable to equity shareholders	**146,383**	142,904^#	2.4
Financial ratios			
Operating margin *(%)*	**38.2**	37.5#	0.7% pt.
Operating margin (excluding Mainland of China and international subsidiaries) *(%)*	**56.4**	56.6#	(0.2%) pt.
Net debt-to-equity ratio* *(%)*	**11.6**	11.0^#	0.6% pt.
Interest cover *(times)*	**11.6**	11.9^#	(0.3) time
Share information			
Basic earnings per share *(HK$)*	**1.06**	1.00#	6.0
Basic earnings per share arising from underlying businesses *(HK$)*	**0.73**	0.70#	4.3
Dividend per share *(HK$)*	**0.25**	0.25	–
Share price at 30 June *(HK$)*	**28.60**	26.45	8.1
Market capitalisation at 30 June *(HK$ million)*	**165,808**	153,053	8.3
Operations highlights			
Total passenger boardings in Hong Kong *(million)*			
– Domestic Service	**713.3**	687.5	3.7
– Cross-boundary Service	**54.4**	53.0	2.8
– Airport Express	**6.4**	6.1	5.7
– Light Rail and Bus	**106.9**	103.9	2.8
Average number of passengers *(thousand)*			
– Domestic Service *(weekday)*	**4,219**	4,027	4.7
– Cross-boundary Service *(daily)*	**300.7**	291.0	3.3
– Airport Express *(daily)*	**35.4**	33.3	6.3
– Light Rail and Bus *(weekday)*	**610.0**	587.8	3.8
Fare revenue per passenger *(HK$)*			
– Domestic Service	**7.04**	6.93	1.6
– Cross-boundary Service	**25.83**	25.51	1.3
– Airport Express	**62.55**	63.85	(2.0)
– Light Rail and Bus	**2.70**	2.69	0.4
Proportion of franchised public transport boardings *(%)*	**46.5**	45.8	0.7% pt.

* Including obligations under service concession and loan from holders of non-controlling interests as components of debts.
# Restated upon the adoption of Revised Hong Kong Accounting Standard 19 as described in note 1 to the interim financial report.
^ Figures as at 31 December 2012

Corporate Governance and Other Information

The Company firmly believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its stakeholders and continuous efforts are therefore taken to identify and formalise best practices for the Company to adopt.

Corporate Governance Code Compliance

During the six months' period ended 30 June 2013, the Company has complied with the Code Provisions set out in the Corporate Governance Code ("Code"), contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code"). After having made specific enquiry, the Company confirms that Members of the Board and the Executive Directorate complied throughout the six months' period ended 30 June 2013 with the Model Code.

Senior managers, other nominated managers and staff who, because of their office in the Company, are likely to be in possession of unpublished price sensitive or inside information, have also been requested to comply with the provisions of the Model Code.

In addition, every employee is bound by the Code of Conduct issued by the Company to keep unpublished price sensitive and inside information in strict confidence.

Board Diversity

As mentioned in the Company's 2012 Annual Report, although the new provisions in the Code on board diversity will only become effective on 1 September 2013, the Company has already taken steps to comply with it and adopted a new Board Diversity Policy ("Policy") in March 2013.

This Policy was taken into account by the Nominations Committee and the Board in the recent appointments of Professor Frederick Ma Si-hang, Mrs. Pamela Chan Wong Shui and Dr. Dorothy Chan Yuen Tak-fai as three new independent non-executive Directors of the Company ("INEDs") effective from 4 July 2013.

The three new INEDs have experience in different sectors and add to the balance of skills, experience and diversity of perspectives on the Board, thereby enhancing its operation.

Professor Frederick Ma Si-hang has extensive experience in banking and the financial sector and also in public service.

Mrs. Pamela Chan Wong Shui is dedicated to public service and has extensive experience in consumer welfare.

Dr. Dorothy Chan Yuen Tak-fai is a transport professional and has extensive experience in the sector.

Following these appointments, the number of INEDs has increased from seven to 10 and INEDs now comprise two-thirds of the Company's Board. This ratio exceeds the Listing Rule requirement to have independent non-executive directors representing at least one-third of the board. The number of female Board Members has also increased from two to four, representing approximately 27% of the Board.

The Nominations Committee also played an important role in the identification of the Company's new Finance Director ("FD"), Mr. Stephen Law Cheuk-kin, who was appointed with effect from 2 July 2013.

Members of the Board and the Executive Directorate

Following the appointments of the three new INEDs and the new FD, the respective compositions of the Board and the Executive Directorate of the Company are as follows:

Members of the Board

Non-Executive Directors	Independent Non-Executive Directors	Executive Director
Dr. Raymond Ch'ien Kuo-fung *(Chairman)*	Pamela Chan Wong Shui	Jay Herbert Walder *(Chief Executive Officer)*
Professor Chan Ka-keung, Ceajer (Secretary for Financial Services and the Treasury)	Dr. Dorothy Chan Yuen Tak-fai	
Secretary for Transport and Housing (Professor Anthony Cheung Bing-leung)	Vincent Cheng Hoi-chuen	
Commissioner for Transport (Ingrid Yeung Ho Poi-yan)	Christine Fang Meng-sang	
	Edward Ho Sing-tin	
	Professor Frederick Ma Si-hang	
	Alasdair George Morrison	
	Ng Leung-sing	
	Abraham Shek Lai-him	
	T. Brian Stevenson	

Members of the Executive Directorate

Jay Herbert Walder	*(Chief Executive Officer)*	Stephen Law Cheuk-kin	*(Finance Director)*
Lincoln Leong Kwok-kuen	*(Deputy Chief Executive Officer)*	Gillian Elizabeth Meller	*(Legal Director and Secretary)*
Morris Cheung Siu-wa	*(Human Resources Director)*	David Tang Chi-fai	*(Property Director)*
Chew Tai Chong	*(Projects Director)*	Jeny Yeung Mei-chun	*(Commercial Director)*
Jacob Kam Chak-pui	*(Operations Director)*		

Changes in Information of Members of the Board and the Executive Directorate

Changes in information of Directors which are required to be disclosed pursuant to the requirement of Rule 13.51B (1) of the Listing Rules are set out below.

Biography

Dr. Raymond Ch'ien Kuo-fung

Cessation of appointments

- China.com Inc. (Chairman and Non-executive Director) (until 28 March 2013)
- Hong Kong Mercantile Exchange Limited (Director) (until 30 March 2013)

Mr. Jay Herbert Walder

New appointment

- Employers' Federation of Hong Kong (General Committee Member) (since 24 May 2013)

Mr. Vincent Cheng Hoi-chuen

New appointment

- Wing Tai Properties Limited (Independent Non-executive Director) (since 1 February 2013)

Cessation of appointment

- Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the Government of the Hong Kong Special Administrative Region ("the Government") (Chairman) (until 31 March 2013)

Professor Frederick Ma Si-hang

Cessation of appointment

- China Resources Land Limited (Independent Non-executive Director) (until 4 July 2013)

Mr. Ng Leung-sing

New appointment

- Nine Dragons Paper (Holdings) Limited (Independent Non-executive Director) (since 3 March 2013)

Mr. T. Brian Stevenson

Cessation of appointment

- The Hongkong and Shanghai Banking Corporation Limited (Non-executive Director) (until 20 May 2013)

Mr. Lincoln Leong Kwok-kuen

New appointment

- Quality Assurance Council of the University Grants Committee (Member) (since 1 April 2013)

Mr. David Tang Chi-fai

New appointment

- Urban Renewal Authority of the Government (Non-executive Director) (since 1 May 2013)

Continuous Professional Training

Members of the Board and the Executive Directorate

As part of the Directors' Training Programme put in place, and in light of the recent developments in the Listing Rules (including in relation to board diversity, the new environmental, social and governance reporting guide and trading halts), the new Companies Ordinance (effective date to be gazetted) and the Competition Ordinance, a briefing on these developments was given to Members of the Board and the Executive Directorate by the Company's external legal advisor jointly with Legal Director & Secretary in January 2013.

A number of site visits to the Company's business operations are being arranged for Directors over the course of the year. During the first six months, visits were arranged to various sites including that of the West Island Line for Directors to understand the construction progress of the project.

Board Meetings

Regular Board Meetings

The Board held three regular Meetings during the six months' period ended 30 June 2013. At each of these regular Meetings, the Board reviewed and discussed the reports on business and financial performance. In addition, other key matters discussed at these Board Meetings included:

(i) Principles for revising MTR fares under the Fare Adjustment Mechanism ("FAM") in 2013;

(ii) Annual Review of Corporate Governance Functions;

(iii) Board Diversity Policy;

(iv) New Railway Projects – Half Yearly Update;

(v) Report on Internal Control System for the year ended 31 December 2012;

(vi) 2012 Annual Report and Accounts;

(vii) 2013 Annual General Meeting;

(viii) Contract Awards;

(ix) US$4 Billion Debt Issuance Programme – Supplemental Prospectus;

(x) 2012 Staff Attitude Survey Results; and

(xi) Proceedings of Meetings of Audit Committee and Corporate Responsibility Committee.

Private/Other Board Meetings

The Chairman also held four Private/Special Board Meetings during the six months' period ended 30 June 2013.

To facilitate the five-yearly review of the FAM by the Company and the Government in accordance with the Operating Agreement dated 9 August 2007 made between the Company and the Secretary for Transport and Housing for and on behalf of the Government, three Special Board Meetings were held during the period at which the Government nominated Directors were not present, and in relation to which they did not receive any papers. The review was completed in April 2013 and the Company announced the details immediately upon reaching an agreement with the Government.

A Private Board Meeting, limited to Non-executive Directors, was also held in accordance with the Code. At this meeting, the Chairman reviewed the contributions made by each of the Directors and, in addition, the size, structure and composition of the Board and the performance of the Executive Directors were discussed.

Annual General Meeting ("AGM")

The Company's 2013 AGM was held on 9 May 2013. The Chairman continued his practice of proposing separate resolutions for each substantially separate matter.

In addition to the receipt and consideration of annual audited Accounts, re-appointment of auditors, and granting of general mandates for the issue and repurchase of the Company's shares, Shareholders also approved, with more than 99% votes in favour in each case, the following resolutions:

- Re-election of Mr. Vincent Cheng Hoi-chuen, Ms. Christine Fang Meng-sang and Mr. Edward Ho Sing-tin as Members of the Board of Directors; and
- Declaration of a final dividend of HK$0.54 per share for the year ended 31 December 2012, giving a full year dividend of HK$0.79 per share, which was an increase of 3.9% compared to 2011.

All resolutions at the 2013 AGM were passed by way of a poll, and the poll results were posted on the websites of both the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange").

For the benefit of Shareholders who did not attend the 2013 AGM, the whole proceedings were recorded and posted on the Company's website the same evening.

Sustainability

The Company's Sustainability Report 2012 (the "Sustainability Report"), which was published in June 2013 and is available on the Company's website, followed the internationally-recognised Global Reporting Initiative framework and, for the first time, included key performance indicators from the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange.

The Sustainability Report highlights the many different ways in which the Company meets the varied needs of the communities served by it at present and, at the same time, demonstrates its readiness to meet the needs of future generations.

The Company's achievements in sustainability have won wide recognition. The Company now ranks as the leading Hong Kong company on the Hang Seng Corporate Sustainability Index. It also remains listed on the Dow Jones Sustainability Indices and the FTSE4Good Index, and is one of 16 companies designated as a "New Sustainability Champion" by the World Economic Forum.

Board Members' and Executive Directorate's Interests in Shares

As at 30 June 2013, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares and Underlying Shares of the Company

	Number of Ordinary Shares held			Derivatives: Share Options	Derivatives: Other		
Member of the Board and/or the Executive Directorate	Personal* interests	Family† interests	Corporate interests	Personal* interests	Personal* interests	Total interests	Percentage of aggregate interests to total issued share capital
Raymond Ch'ien Kuo-fung	52,330	–	–	–	–	52,330	0.00090
Jay Herbert Walder	–	–	–	888,500 (Note 1)	300,000 (Note 2)	1,188,500	0.02050
Vincent Cheng Hoi-chuen	1,675	1,675	–	–	–	3,350	0.00006
Christine Fang Meng-sang	1,712	–	–	–	–	1,712	0.00003
T. Brian Stevenson	5,153	–	–	–	–	5,153	0.00009
Ingrid Yeung Ho Poi-yan	1,116	–	–	–	–	1,116	0.00002
Lincoln Leong Kwok-kuen	193,000	–	23,000 (Note 3)	967,000 (Note 1)	–	1,183,000	0.02041
Morris Cheung Siu-wa	13,290	–	–	467,500 (Note 1)	–	480,790	0.00829
Chew Tai Chong	–	–	–	835,000 (Note 1)	–	835,000	0.01440
Jacob Kam Chak-pui	2,283	–	–	734,500 (Note 1)	–	736,783	0.01271
Gillian Elizabeth Meller	–	–	–	515,500 (Note 1)	–	515,500	0.00889
David Tang Chi-fai	600	–	–	(i) 584,000 (Note 1) (ii) 22,000 (Note 4)	–	606,600	0.01046
Jeny Yeung Mei-chun	13,400	–	–	618,000 (Note 1)	–	631,400	0.01089

	Number of Ordinary Shares held			Derivatives: Share Options	Derivatives: Other		
Member of the Board	Personal* Interests	Family† interests	Corporate interests	Personal* interests	Personal* interests	Total interests	Percentage of aggregate interests to total issued share capital
Pamela Chan Wong Shui (Note 5)	1,116	1,675	–	–	–	2,791	0.00005

Notes

1. Further details of the above share options are set out in the table below showing details of the options to subscribe for ordinary shares granted under the 2007 Share Option Scheme.
2. Mr. Jay Herbert Walder was granted a derivative interest in respect of 300,000 shares in the Company within the meaning of Part XV of the SFO. That derivative interest represents Mr. Walder's entitlement to be paid an equivalent value in cash of 300,000 shares in the Company following 30 June 2014, being the date on which his initial term of office is expected to expire (35% of which shall be deemed to be earned at 31 October 2013 subject to certain conditions specified in his employment contract).
3. The 23,000 shares are held by Linsan Investment Ltd., a private limited company beneficially wholly owned by Mr. Lincoln Leong Kwok-kuen.
4. Further details of the above share options are set out in the table below showing details of the options to subscribe for ordinary shares granted under the New Joiners Share Option Scheme.
5. Mrs. Pamela Chan Wong Shui was appointed as an independent non-executive Director of the Company with effect from 4 July 2013.

* Interests as beneficial owner

† Interests of spouse or child under 18 as beneficial owner

Options to subscribe for Ordinary Shares granted under the New Joiners Share Option Scheme

Executive Directorate and eligible employees	Date granted	Options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2013	Options granted during the period	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK$)	Options outstanding as at 30 June 2013	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK$)
David Tang Chi-fai	15/5/2006	213,000	25/4/2007 – 25/4/2016	22,000	–	–	–	–	20.66	22,000	–
Other eligible employees	23/9/2005	213,000	9/9/2006 – 9/9/2015	213,000	–	–	–	213,000	15.97	–	27.40
	5/10/2006	94,000	29/9/2007 – 29/9/2016	62,500	–	–	–	–	19.732	62,500	–

Notes

1 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.

2 The proportion of underlying shares in respect of which the above share options will vest is as follows:

Date	Proportion of underlying shares in respect of which an option is vested
Before the first anniversary of the date of offer of the option (the "Offer Anniversary")	none
From the first Offer Anniversary to the date immediately before the second Offer Anniversary	one-third
From the second Offer Anniversary to the date immediately before the third Offer Anniversary	two-thirds
From the third Offer Anniversary and thereafter	all

Options to subscribe for Ordinary Shares granted under the 2007 Share Option Scheme

Executive Directorate and eligible employees	Date granted	Options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2013	Options granted during the period	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK$)	Options outstanding as at 30 June 2013	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK$)
Jay Herbert Walder	30/3/2012	391,500	23/3/2013 – 23/3/2019	391,500	–	130,500	–	–	27.48	391,500	–
	6/5/2013	497,000	26/4/2014 – 26/4/2020	–	497,000	–	–	–	31.40	497,000	–
Lincoln Leong Kwok-kuen	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	170,000	18.30	–	31.95
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
	30/3/2012	201,000	23/3/2013 – 23/3/2019	201,000	–	67,000	–	–	27.48	201,000	–
	6/5/2013	256,000	26/4/2014 – 26/4/2020	–	256,000	–	–	–	31.40	256,000	–
Morris Cheung Siu-wa	11/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	21/7/2010	35,000	28/6/2011 – 28/6/2017	35,000	–	11,000	–	–	27.73	35,000	–
	20/12/2010	65,000	16/12/2011 – 16/12/2017	65,000	–	–	–	–	28.84	65,000	–
	30/3/2012	122,000	23/3/2013 – 23/3/2019	122,000	–	41,000	–	–	27.48	122,000	–
	6/5/2013	180,500	26/4/2014 – 26/4/2020	–	180,500	–	–	–	31.40	180,500	–
Chew Tai Chong	18/6/2009	85,000	12/6/2010 – 12/6/2016	85,000	–	–	–	–	24.50	85,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
	30/3/2012	184,500	23/3/2013 – 23/3/2019	184,500	–	61,500	–	–	27.48	184,500	–
	6/5/2013	225,500	26/4/2014 – 26/4/2020	–	225,500	–	–	–	31.40	225,500	–
Jacob Kam Chak-pui	13/12/2007	75,000	10/12/2008 – 10/12/2014	75,000	–	–	–	–	27.60	75,000	–
	14/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	21/7/2010	50,000	28/6/2011 – 28/6/2017	50,000	–	16,000	–	–	27.73	50,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
	30/3/2012	172,000	23/3/2013 – 23/3/2019	172,000	–	57,500	–	–	27.48	172,000	–
	6/5/2013	202,500	26/4/2014 – 26/4/2020	–	202,500	–	–	–	31.40	202,500	–
Gillian Elizabeth Meller	12/12/2007	55,000	10/12/2008 – 10/12/2014	18,000	–	–	–	–	27.60	18,000	–
	10/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	17/12/2010	90,000	16/12/2011 – 16/12/2017	90,000	–	–	–	–	28.84	90,000	–
	30/3/2012	158,500	23/3/2013 – 23/3/2019	158,500	–	53,000	–	–	27.48	158,500	–
	6/5/2013	184,000	26/4/2014 – 26/4/2020	–	184,000	–	–	–	31.40	184,000	–

Options to subscribe for Ordinary Shares granted under the 2007 Share Option Scheme *(continued)*

Executive Directorate and eligible employees	Date granted	Options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2013	Options granted during the period	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK$)	Options outstanding as at 30 June 2013	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK$)
David Tang Chi-fai	13/12/2007	65,000	10/12/2008 – 10/12/2014	65,000	–	–	–	–	27.60	65,000	–
	12/12/2008	65,000	8/12/2009 – 8/12/2015	43,000	–	–	–	–	18.30	43,000	–
	15/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	17/12/2010	65,000	16/12/2011 – 16/12/2017	65,000	–	–	–	–	28.84	65,000	–
	30/3/2012	163,500	23/3/2013 – 23/3/2019	163,500	–	54,500	–	–	27.48	163,500	–
	6/5/2013	182,500	26/4/2014 – 26/4/2020	–	182,500	–	–	–	31.40	182,500	–
Jeny Yeung Mei-chun	12/12/2007	75,000	10/12/2008 – 10/12/2014	75,000	–	–	–	–	27.60	75,000	–
	10/12/2008	65,000	8/12/2009 – 8/12/2015	65,000	–	–	–	–	18.30	65,000	–
	10/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	17/12/2010	65,000	16/12/2011 – 16/12/2017	65,000	–	–	–	–	28.84	65,000	–
	30/3/2012	161,000	23/3/2013 – 23/3/2019	161,000	–	54,000	–	–	27.48	161,000	–
	6/5/2013	187,000	26/4/2014 – 26/4/2020	–	187,000	–	–	–	31.40	187,000	–
Other eligible employees	11/12/2007	45,000	10/12/2008 – 10/12/2014	45,000	–	–	–	–	27.60	45,000	–
	12/12/2007	2,365,000	10/12/2008 – 10/12/2014	1,070,000	–	–	–	420,000	27.60	650,000	31.55
	13/12/2007	1,665,000	10/12/2008 – 10/12/2014	1,465,000	–	–	–	289,000	27.60	1,176,000	31.31
	14/12/2007	1,005,000	10/12/2008 – 10/12/2014	550,000	–	–	–	–	27.60	550,000	–
	15/12/2007	435,000	10/12/2008 – 10/12/2014	88,000	–	–	–	–	27.60	88,000	–
	17/12/2007	835,000	10/12/2008 – 10/12/2014	635,000	–	–	–	12,000	27.60	623,000	31.95
	18/12/2007	445,000	10/12/2008 – 10/12/2014	230,000	–	–	–	–	27.60	230,000	–
	19/12/2007	115,000	10/12/2008 – 10/12/2014	80,000	–	–	–	–	27.60	80,000	–
	20/12/2007	190,000	10/12/2008 – 10/12/2014	190,000	–	–	–	–	27.60	190,000	–
	22/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	–	–	35,000	27.60	–	30.60
	24/12/2007	118,000	10/12/2008 – 10/12/2014	118,000	–	–	–	–	27.60	118,000	–
	28/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	–	–	–	27.60	35,000	–
	31/12/2007	130,000	10/12/2008 – 10/12/2014	130,000	–	–	–	–	27.60	130,000	–
	2/1/2008	75,000	10/12/2008 – 10/12/2014	35,000	–	–	–	–	27.60	35,000	–
	3/1/2008	40,000	10/12/2008 – 10/12/2014	40,000	–	–	–	–	27.60	40,000	–
	7/1/2008	125,000	10/12/2008 – 10/12/2014	80,000	–	–	–	80,000	27.60	–	31.12
	28/3/2008	255,000	26/3/2009 – 26/3/2015	180,000	–	–	–	41,000	26.52	139,000	32.44
	31/3/2008	379,000	26/3/2009 – 26/3/2015	230,000	–	–	–	15,000	26.52	215,000	32.00
	1/4/2008	261,000	26/3/2009 – 26/3/2015	204,000	–	–	–	34,000	26.52	170,000	31.24
	2/4/2008	296,000	26/3/2009 – 26/3/2015	236,000	–	–	–	17,000	26.52	219,000	31.60
	3/4/2008	171,000	26/3/2009 – 26/3/2015	100,000	–	–	–	25,000	26.52	75,000	32.71
	4/4/2008	23,000	26/3/2009 – 26/3/2015	23,000	–	–	–	–	26.52	23,000	–
	5/4/2008	17,000	26/3/2009 – 26/3/2015	17,000	–	–	–	–	26.52	17,000	–
	7/4/2008	390,000	26/3/2009 – 26/3/2015	268,000	–	–	–	32,000	26.52	236,000	31.66
	8/4/2008	174,000	26/3/2009 – 26/3/2015	96,000	–	–	7,000	20,000	26.52	69,000	31.39
	9/4/2008	85,000	26/3/2009 – 26/3/2015	60,000	–	–	–	17,000	26.52	43,000	30.90
	10/4/2008	58,000	26/3/2009 – 26/3/2015	58,000	–	–	–	–	26.52	58,000	–
	11/4/2008	134,000	26/3/2009 – 26/3/2015	94,000	–	–	–	5,000	26.52	89,000	32.15
	12/4/2008	48,000	26/3/2009 – 26/3/2015	48,000	–	–	–	17,000	26.52	31,000	31.95
	14/4/2008	40,000	26/3/2009 – 26/3/2015	40,000	–	–	–	–	26.52	40,000	–
	15/4/2008	34,000	26/3/2009 – 26/3/2015	34,000	–	–	–	–	26.52	34,000	–
	16/4/2008	57,000	26/3/2009 – 26/3/2015	40,000	–	–	–	–	26.52	40,000	–
	17/4/2008	147,000	26/3/2009 – 26/3/2015	107,000	–	–	–	–	26.52	107,000	–
	18/4/2008	32,000	26/3/2009 – 26/3/2015	15,000	–	–	–	–	26.52	15,000	–
	19/4/2008	25,000	26/3/2009 – 26/3/2015	25,000	–	–	–	–	26.52	25,000	–
	21/4/2008	66,000	26/3/2009 – 26/3/2015	66,000	–	–	–	–	26.52	66,000	–
	23/4/2008	34,000	26/3/2009 – 26/3/2015	19,000	–	–	–	–	26.52	19,000	–
	8/12/2008	90,000	8/12/2009 – 8/12/2015	45,000	–	–	–	–	18.30	45,000	–
	9/12/2008	1,293,000	8/12/2009 – 8/12/2015	282,000	–	–	–	25,000	18.30	257,000	32.00
	10/12/2008	2,046,400	8/12/2009 – 8/12/2015	921,400	–	–	–	70,000	18.30	851,400	30.78
	11/12/2008	2,394,200	8/12/2009 – 8/12/2015	1,129,000	–	–	–	62,500	18.30	1,066,500	31.87
	12/12/2008	1,416,500	8/12/2009 – 8/12/2015	671,500	–	–	–	13,500	18.30	658,000	30.85
	13/12/2008	84,500	8/12/2009 – 8/12/2015	40,500	–	–	–	–	18.30	40,500	–
	14/12/2008	88,200	8/12/2009 – 8/12/2015	45,000	–	–	–	–	18.30	45,000	–
	15/12/2008	1,084,700	8/12/2009 – 8/12/2015	555,200	–	–	–	52,000	18.30	503,200	31.06
	16/12/2008	581,500	8/12/2009 – 8/12/2015	361,500	–	–	–	72,500	18.30	289,000	30.90
	17/12/2008	513,500	8/12/2009 – 8/12/2015	348,000	–	–	–	87,500	18.30	260,500	32.01
	18/12/2008	611,500	8/12/2009 – 8/12/2015	233,000	–	–	–	106,500	18.30	126,500	30.64
	19/12/2008	198,000	8/12/2009 – 8/12/2015	88,000	–	–	–	25,000	18.30	63,000	31.30
	20/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	–	–	–	18.30	19,000	–

Options to subscribe for Ordinary Shares granted under the 2007 Share Option Scheme *(continued)*

Executive Directorate and eligible employees	Date granted	Options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2013	Options granted during the period	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK$)	Options outstanding as at 30 June 2013	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK$)
Other eligible employees	22/12/2008	772,500	8/12/2009 – 8/12/2015	288,500	–	–	–	55,000	18.30	233,500	31.70
	23/12/2008	306,000	8/12/2009 – 8/12/2015	162,000	–	–	–	25,000	18.30	137,000	31.05
	24/12/2008	500,500	8/12/2009 – 8/12/2015	197,000	–	–	–	15,000	18.30	182,000	31.35
	25/12/2008	45,000	8/12/2009 – 8/12/2015	45,000	–	–	–	–	18.30	45,000	–
	29/12/2008	148,000	8/12/2009 – 8/12/2015	59,000	–	–	–	–	18.30	59,000	–
	30/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	–	–	–	18.30	19,000	–
	18/6/2009	170,000	12/6/2010 – 12/6/2016	45,000	–	–	–	–	24.50	45,000	–
	6/7/2009	45,000	12/6/2010 – 12/6/2016	45,000	–	–	–	–	24.50	45,000	–
	9/12/2009	670,000	8/12/2010 – 8/12/2016	520,000	–	–	–	–	26.85	520,000	–
	10/12/2009	2,381,000	8/12/2010 – 8/12/2016	1,696,500	–	–	–	292,500	26.85	1,404,000	31.30
	11/12/2009	2,297,000	8/12/2010 – 8/12/2016	1,886,000	–	–	–	147,000	26.85	1,739,000	31.29
	12/12/2009	610,000	8/12/2010 – 8/12/2016	429,000	–	–	–	–	26.85	429,000	–
	13/12/2009	19,000	8/12/2010 – 8/12/2016	12,500	–	–	–	–	26.85	12,500	–
	14/12/2009	2,443,000	8/12/2010 – 8/12/2016	2,071,500	–	–	–	223,000	26.85	1,848,500	31.43
	15/12/2009	2,773,000	8/12/2010 – 8/12/2016	2,183,500	–	–	–	216,000	26.85	1,967,500	31.60
	16/12/2009	1,550,000	8/12/2010 – 8/12/2016	1,170,000	–	–	–	209,500	26.85	960,500	31.44
	17/12/2009	1,000,000	8/12/2010 – 8/12/2016	893,000	–	–	–	168,000	26.85	725,000	31.31
	18/12/2009	389,000	8/12/2010 – 8/12/2016	314,000	–	–	–	34,000	26.85	280,000	31.14
	19/12/2009	70,000	8/12/2010 – 8/12/2016	70,000	–	–	–	–	26.85	70,000	–
	20/12/2009	75,000	8/12/2010 – 8/12/2016	75,000	–	–	–	–	26.85	75,000	–
	21/12/2009	520,000	8/12/2010 – 8/12/2016	367,000	–	–	–	38,000	26.85	329,000	31.50
	22/12/2009	256,000	8/12/2010 – 8/12/2016	172,000	–	–	–	–	26.85	172,000	–
	21/7/2010	270,000	28/6/2011 – 28/6/2017	105,000	–	30,000	15,000	–	27.73	90,000	–
	16/12/2010	194,000	16/12/2011 – 16/12/2017	194,000	–	–	–	–	28.84	194,000	–
	17/12/2010	4,737,000	16/12/2011 – 16/12/2017	4,388,500	–	–	31,000	129,500	28.84	4,228,000	31.65
	18/12/2010	673,000	16/12/2011 – 16/12/2017	673,000	–	–	–	–	28.84	673,000	–
	19/12/2010	174,000	16/12/2011 – 16/12/2017	155,000	–	–	13,000	44,000	28.84	98,000	31.95
	20/12/2010	4,789,500	16/12/2011 – 16/12/2017	4,292,000	–	6,000	23,000	213,000	28.84	4,056,000	31.54
	21/12/2010	3,020,000	16/12/2011 – 16/12/2017	2,757,000	–	–	–	166,500	28.84	2,590,500	31.58
	22/12/2010	975,000	16/12/2011 – 16/12/2017	934,500	–	–	–	15,000	28.84	919,500	32.40
	23/12/2010	189,000	16/12/2011 – 16/12/2017	144,000	–	–	8,000	17,000	28.84	119,000	32.20
	7/7/2011	215,000	27/6/2012 – 27/6/2018	215,000	–	72,500	–	37,000	26.96	178,000	31.21
	30/3/2012	15,363,000	23/3/2013 – 23/3/2019	15,118,500	–	5,065,500	177,000	296,000	27.48	14,645,500	31.53
	6/5/2013	19,690,000	26/4/2014 – 26/4/2020	–	19,690,000	–	51,000	–	31.40	19,639,000	–

Notes

1 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.

2 The proportion of underlying shares in respect of which the above share options will vest is as follows:

Date	Proportion of underlying shares in respect of which an option is vested
Before the first anniversary of the date of offer of the option (the "Offer Anniversary")	none
From the first Offer Anniversary to the date immediately before the second Offer Anniversary	one-third
From the second Offer Anniversary to the date immediately before the third Offer Anniversary	two-thirds
From the third Offer Anniversary and thereafter	all

During the six months' period ended 30 June 2013, 21,605,000 options to subscribe for shares of the Company were granted to 532 employees under the 2007 Share Option Scheme. Details of the grant are set out in the tables above. The closing price per share immediately before the date of grant of options is set out below. Pursuant to the terms of the Scheme, each grantee undertakes to pay HK$1.00, on demand, to the Company, in consideration for the grant of the options. The share options granted are recognised on an accrued vesting basis in the accounts. The weighted average value per option granted, estimated at the date of grant using the Black-Scholes pricing model is as follows:

Date granted	Closing price per share immediately before the date of grant (HK$)	Estimated risk-free interest rate (%)	Expected life (Years)	Estimated Volatility	Expected dividend per share (HK$)	Weighted average value per option granted (HK$)
6/5/2013	31.95	0.21	3.5	0.15	0.79	2.33

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Save as disclosed above:

A none of the Members 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' period ended 30 June 2013, no Member of the Board or the Executive Directorate nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them,

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

Substantial Shareholders' Interests

Set out below is the name of the party which was interested in 5% or more of the nominal value of the share capital of the Company and the number of shares in which it was interested as at 30 June 2013 as recorded in the register kept by the Company under section 336 of the SFO:

Name	No. of Ordinary Shares	Percentage of Ordinary Shares to total issued share capital
The Financial Secretary Incorporated (in trust on behalf of the Government)	4,434,552,207	76.49

The Company has been informed by the Government that, as at 30 June 2013, approximately 0.39% of the shares of the Company 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.

Loan Agreements with Covenant Relating to Specific Performance of the Controlling Shareholder

As at 30 June 2013, the Group had borrowings of HK$17,969 million with maturities ranging from 2013 to 2043, undrawn committed banking facilities of HK$6,600 million and an unutilized amount under the Debt Issuance Programme of HK$13,308 million, which were subject to the condition that the Government, being the Company's controlling shareholder, owns more than half in nominal value of the voting share capital of the Company. Failure to satisfy such condition may result in immediate repayment of the borrowings being demanded and cancellation of the undrawn facilities.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the six months ended 30 June 2013.

Closure of Register of Members

The Register of Members of the Company was closed from 10 September 2013 to 16 September 2013 (both dates inclusive). During that period, no transfer of shares could be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must have been lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 9 September 2013. The 2013 interim dividend is expected to be paid, in cash in Hong Kong dollars, on or about 27 September 2013 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 16 September 2013.

Consolidated Profit and Loss Account

in HK$ million	Note	Half year ended 30 June 2013 (Unaudited)	Half year ended 30 June 2012 (Unaudited and restated)
Revenue from Hong Kong transport operations		**7,258**	6,914
Revenue from Hong Kong station commercial business		**2,194**	1,699
Revenue from Hong Kong property rental and management businesses		**1,842**	1,663
Revenue from Mainland of China and international subsidiaries	2	**7,025**	6,402
Revenue from other businesses		**895**	476
		19,214	17,154
Expenses relating to Hong Kong transport operations			
– Staff costs and related expenses		**(1,916)**	(1,854)
– Energy and utilities		**(604)**	(561)
– Operational rent and rates		**(127)**	(113)
– Stores and spares consumed		**(232)**	(226)
– Maintenance and related works		**(518)**	(484)
– Railway support services		**(119)**	(103)
– General and administration expenses		**(187)**	(179)
– Other expenses		**(119)**	(105)
		(3,822)	(3,625)
Expenses relating to Hong Kong station commercial business		**(206)**	(188)
Expenses relating to Hong Kong property rental and management businesses		**(304)**	(278)
Expenses relating to Mainland of China and international subsidiaries	2	**(6,565)**	(6,059)
Expenses relating to other businesses		**(830)**	(476)
Project study and business development expenses		**(155)**	(100)
Operating expenses before depreciation, amortisation and variable annual payment		**(11,882)**	(10,726)
Operating profit before Hong Kong property developments, depreciation, amortisation and variable annual payment		**7,332**	6,428
Profit on Hong Kong property developments	3	**531**	627
Operating profit before depreciation, amortisation and variable annual payment		**7,863**	7,055
Depreciation and amortisation		**(1,641)**	(1,613)
Variable annual payment		**(589)**	(402)
Operating profit before interest and finance charges		**5,633**	5,040
Interest and finance charges	4	**(435)**	(432)
Investment property revaluation		**1,907**	1,740
Share of profit or loss of associates	5	**51**	299
Profit before taxation		**7,156**	6,647
Income tax	6	**(900)**	(781)
Profit for the period		**6,256**	5,866
Attributable to:			
– Equity shareholders of the Company		**6,158**	5,785
– Non-controlling interests		**98**	81
Profit for the period		**6,256**	5,866
Profit for the period attributable to equity shareholders of the Company:			
– Arising from underlying businesses before property developments		**3,804**	3,521
– Arising from property developments		**447**	524
– Arising from underlying businesses		**4,251**	4,045
– Arising from investment property revaluation		**1,907**	1,740
		6,158	5,785
Earnings per share:	8		
– Basic		**HK$1.06**	HK$1.00
– Diluted		**HK$1.06**	HK$1.00

The notes on pages 37 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

Consolidated Statement of Comprehensive Income

in HK$ million	Note	**Half year ended 30 June 2013 (Unaudited)**	Half year ended 30 June 2012 (Unaudited and restated)
Profit for the period		**6,256**	5,866
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that will not be reclassified to profit or loss:			
– Surplus on revaluation of self-occupied land and buildings		**255**	119
– Effect of remeasurement of net liability of defined benefit plans		**–**	1,989
		255	2,108
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of:			
– financial statements of overseas subsidiaries and associates		**29**	(49)
– non-controlling interests		**(26)**	(1)
– Cash flow hedges: net movement in hedging reserve		**38**	(1)
		41	(51)
	10	**296**	2,057
Total comprehensive income for the period		**6,552**	7,923
Attributable to:			
– Equity shareholders of the Company		**6,480**	7,843
– Non-controlling interests		**72**	80
Total comprehensive income for the period		**6,552**	7,923

The notes on pages 37 to 52 form part of this interim financial report.

Consolidated Balance Sheet

in HK$ million	Note	At 30 June 2013 (Unaudited)	At 31 December 2012 (Audited and restated)
Assets			
Fixed assets			
– Investment properties	11	**57,340**	55,314
– Other property, plant and equipment	12	**75,532**	76,088
– Service concession assets	13	**24,932**	24,492
		157,804	155,894
Property management rights		**31**	31
Railway construction in progress	14	**9,780**	7,458
Property development in progress	15	**10,803**	10,430
Deferred expenditure		**15**	15
Interests in associates		**4,273**	4,258
Deferred tax assets	22	**16**	21
Investments in securities		**471**	393
Properties held for sale	16	**2,041**	3,016
Derivative financial assets	17	**146**	256
Stores and spares		**1,263**	1,220
Debtors, deposits and payments in advance	18	**3,338**	4,246
Amounts due from related parties	19	**755**	785
Cash, bank balances and deposits		**17,060**	18,664
		207,796	206,687
Liabilities			
Bank overdrafts		**1**	55
Short-term loans		**–**	300
Creditors and accrued charges	20	**13,519**	16,530
Current taxation		**739**	406
Contract retentions		**1,005**	948
Amounts due to related parties	19	**1,123**	1,061
Loans and other obligations	21	**23,230**	23,222
Obligations under service concession		**10,671**	10,690
Derivative financial liabilities	17	**170**	132
Loan from holders of non-controlling interests		**140**	157
Deferred income		**881**	488
Deferred tax liabilities	22	**9,734**	9,587
		61,213	63,576
Net assets		**146,583**	143,111
Capital and reserves			
Share capital, share premium and capital reserve	23	**44,409**	44,281
Other reserves		**101,974**	98,623
Total equity attributable to equity shareholders of the Company		**146,383**	142,904
Non-controlling interests		**200**	207
Total equity		**146,583**	143,111

The notes on pages 37 to 52 form part of this interim financial report.

Consolidated Statement of Changes in Equity

in HK$ million	Note	Share capital, share premium and capital reserve	Other reserves: Fixed assets revaluation reserve	Other reserves: Hedging reserve	Other reserves: Employee share-based capital reserve	Other reserves: Exchange reserve	Retained profits	Total equity attributable to equity shareholders of the Company	Non-controlling interests	Total equity
30 June 2013 (Unaudited)										
Balance as at 1 January 2013, as previously reported		**44,281**	**2,227**	**(67)**	**219**	**412**	**97,201**	**144,273**	**207**	**144,480**
Effect of adoption of Revised HKAS 19	1	**–**	**–**	**–**	**–**	**–**	**(1,369)**	**(1,369)**	**–**	**(1,369)**
Balance as at 1 January 2013, as restated		**44,281**	**2,227**	**(67)**	**219**	**412**	**95,832**	**142,904**	**207**	**143,111**
Changes in equity for the half year ended 30 June 2013:										
– Profit for the period		**–**	**–**	**–**	**–**	**–**	**6,158**	**6,158**	**98**	**6,256**
– Other comprehensive income for the period		**–**	**255**	**38**	**–**	**29**	**–**	**322**	**(26)**	**296**
– Total comprehensive income for the period		**–**	**255**	**38**	**–**	**29**	**6,158**	**6,480**	**72**	**6,552**
– 2012 final dividend	7	**–**	**–**	**–**	**–**	**–**	**(3,130)**	**(3,130)**	**–**	**(3,130)**
– Dividend paid to holders of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(79)**	**(79)**
– Employee share-based payments		**–**	**–**	**–**	**21**	**–**	**–**	**21**	**–**	**21**
– Employee share options exercised	23	**128**	**–**	**–**	**(20)**	**–**	**–**	**108**	**–**	**108**
– Employee share options forfeited		**–**	**–**	**–**	**(1)**	**–**	**1**	**–**	**–**	**–**
Balance as at 30 June 2013		**44,409**	**2,482**	**(29)**	**219**	**441**	**98,861**	**146,383**	**200**	**146,583**
31 December 2012 (Audited and restated)										
Balance as at 1 January 2012, as previously reported		44,062	1,888	(90)	201	340	88,062	134,463	186	134,649
Effect of adoption of Revised HKAS 19	1	–	–	–	–	–	(2,556)	(2,556)	–	(2,556)
Balance as at 1 January 2012, as restated		44,062	1,888	(90)	201	340	85,506	131,907	186	132,093
Changes in equity for the half year ended 30 June 2012:										
– Profit for the period, as restated		–	–	–	–	–	5,785	5,785	81	5,866
– Other comprehensive income for the period, as restated		–	119	(1)	–	(49)	1,989	2,058	(1)	2,057
– Total comprehensive income for the period, as restated		–	119	(1)	–	(49)	7,774	7,843	80	7,923
– 2011 final dividend	7	–	–	–	–	–	(2,951)	(2,951)	–	(2,951)
– Dividend paid to holders of non-controlling interests		–	–	–	–	–	–	–	(69)	(69)
– Employee share-based payments		–	–	–	25	–	–	25	–	25
– Employee share options exercised	23	37	–	–	(5)	–	–	32	–	32
– Employee share options forfeited		–	–	–	(2)	–	2	–	–	–
Balance as at 30 June 2012, as restated		44,099	2,007	(91)	219	291	90,331	136,856	197	137,053
Changes in equity for the half year ended 31 December 2012:										
– Profit for the period, as restated		–	–	–	–	–	7,590	7,590	58	7,648
– Other comprehensive income for the period, as restated		–	220	24	–	121	(645)	(280)	4	(276)
– Total comprehensive income for the period, as restated		–	220	24	–	121	6,945	7,310	62	7,372
– 2012 interim dividend	7	–	–	–	–	–	(1,447)	(1,447)	–	(1,447)
– Dividend paid to holders of non-controlling interests		–	–	–	–	–	–	–	(52)	(52)
– Employee share-based payments		–	–	–	31	–	–	31	–	31
– Employee share options exercised		182	–	–	(28)	–	–	154	–	154
– Employee share options forfeited		–	–	–	(3)	–	3	–	–	–
Balance as at 31 December 2012, as restated		44,281	2,227	(67)	219	412	95,832	142,904	207	143,111

The notes on pages 37 to 52 form part of this interim financial report.

Consolidated Cash Flow Statement

in HK$ million	Note	Half year ended 30 June 2013 (Unaudited)		Half year ended 30 June 2012 (Unaudited)	
Cash flows from operating activities					
Cash generated from operations	25	**7,855**		7,817	
Receipt of government subsidy for Shenzhen Metro Longhua Line operation		**661**		637	
Current tax paid					
– Hong Kong Profits Tax paid		**(405)**		(441)	
– Mainland of China and overseas tax paid		**(55)**		(38)	
Net cash generated from operating activities			**8,056**		7,975
Cash flows from investing activities					
Capital expenditure					
– Purchase of assets for Hong Kong transport and related operations		**(1,387)**		(1,178)	
– West Island Line Project		**(1,387)**		(1,325)	
– South Island Line (East) Project		**(1,641)**		(1,129)	
– Kwun Tong Line Extension Project		**(575)**		(560)	
– Shenzhen Metro Longhua Line Project		**(254)**		(472)	
– Property development projects		**(2,320)**		(364)	
– Property renovation and fitting out works		**(75)**		(33)	
– Other capital projects		**(13)**		(39)	
Net cash receipt/(payment) in respect of entrustment works of Shatin to Central Link		**36**		(118)	
Variable annual payment		**(883)**		(647)	
Receipts in respect of property development		**2,422**		2,625	
Increase in bank deposits with more than three months to maturity when placed or pledged		**(257)**		(2,969)	
Purchase of investments in securities		**(131)**		(183)	
Proceeds from sale or redemption of investments in securities		**48**		1,050	
Proceeds from disposal of fixed assets		**3**		4	
Receipt of loan repayment from an associate		**12**		11	
Dividends received from associates		**34**		202	
Net cash used in investing activities			**(6,368)**		(5,125)
Cash flows from financing activities					
Proceeds from shares issued under share option schemes		**108**		32	
Drawdown of loans		**1,700**		208	
Proceeds from issuance of capital market instruments		**1,361**		3,217	
Repayment of loans		**(861)**		(232)	
Repayment of capital market instruments		**(2,306)**		–	
Interest paid		**(423)**		(404)	
Interest received		**157**		108	
Finance charges paid		**(22)**		(34)	
Dividends paid to equity shareholders of the Company		**(3,130)**		(2,951)	
Dividends paid to holders of non-controlling interests		**(79)**		(69)	
Net cash used in financing activities			**(3,495)**		(125)
Net (decrease)/increase in cash and cash equivalents			**(1,807)**		2,725
Cash and cash equivalents at 1 January			**5,105**		3,427
Cash and cash equivalents at 30 June			**3,298**		6,152
Analysis of the balances of cash and cash equivalents					
Cash, bank balances and deposits on the consolidated balance sheet			**17,060**		21,794
Bank deposits with more than three months to maturity when placed or pledged			**(13,761)**		(15,642)
Bank overdrafts			**(1)**		–
Cash and cash equivalents in the consolidated cash flow statement			**3,298**		6,152

The notes on pages 37 to 52 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 53. 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 since the issuance of the 2012 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 2012 included in this interim financial report does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2012, on which the auditors have expressed an unqualified opinion on those accounts in their report dated 11 March 2013, are available from the Company's registered office.

The accounting policies adopted for the preparation of this interim financial report are the same as those adopted in the preparation of the 2012 annual accounts except for the changes required for the first time adoption of new or revised HKFRSs as set out in the subsequent paragraphs.

The HKICPA has issued a number of new issues and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's accounts:

- Amendments to HKAS 1, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
- HKFRS 10, *Consolidated Financial Statements*
- HKFRS 12, *Disclosure of Interests in Other Entities*
- HKFRS 13, *Fair Value Measurement*
- Revised HKAS 19, *Employee Benefits*

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial report has been modified accordingly.

HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013, including that with Octopus Holdings Limited ("OHL") and OHL's subsidiaries, which, previously described as the Group's non-controlled subsidiaries, are now changed to be described as the Group's associates in accordance with the definition stated in HKFRS 10 and continue to be accounted for using the equity method.

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial report. The Group has provided those disclosures in note 24.

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, Revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changes the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

1 Basis of Preparation *(continued)*

As a result of the adoption of Revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously adopted. This change in accounting policy has been adopted retrospectively by restating the balances as at 31 December 2012, and the result for the six months ended 30 June 2012 as follows:

in HK$ million	As previously reported	Effect of adoption of Revised HKAS 19	As restated
Consolidated profit and loss account for the half year ended 30 June 2012			
Expenses relating to Hong Kong transport operations – Staff costs and related expenses	**(1,763)**	**(91)**	**(1,854)**
Income tax	**(796)**	**15**	**(781)**
Profit for the period	**5,942**	**(76)**	**5,866**
Basic and diluted earnings per share	**HK$1.01**	**(HK$0.01)**	**HK$1.00**
Consolidated statement of comprehensive income for the half year ended 30 June 2012			
Effect of remeasurement of net liability of defined benefit plans	**–**	**1,989**	**1,989**
Total comprehensive income for the period	**6,010**	**1,913**	**7,923**
Consolidated balance sheet as at 31 December 2012			
Debtors, deposits and payments in advance	**4,474**	**(228)**	**4,246**
Creditors and accrued charges	**15,119**	**1,411**	**16,530**
Deferred tax liabilities	**9,857**	**(270)**	**9,587**
Other reserves – Retained profits	**97,201**	**(1,369)**	**95,832**

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

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

	Railway subsidiaries outside of Hong Kong					
in HK$ million	Stockholm Metro	Melbourne Train	Shenzhen Metro Longhua Line	Total	Property activities in Mainland of China	Total Mainland of China and international subsidiaries
Half year ended 30 June 2013						
Revenue	**1,666**	**5,060**	**228**	**6,954**	**71**	**7,025**
Expenses	**1,591**	**4,738**	**177**	**6,506**	**59**	**6,565**
Half year ended 30 June 2012						
Revenue	1,562	4,582	191	6,335	67	6,402
Expenses	1,517	4,312	173	6,002	57	6,059

3 Profit on Hong Kong Property Developments

Profit on Hong Kong property developments comprises:

in HK$ million	**Half year ended 30 June 2013**	Half year ended 30 June 2012
Share of surplus from developments	**490**	627
Income from receipt of properties for investment purpose	**44**	–
Other overhead costs net of miscellaneous income	**(3)**	–
	531	627

4 Interest and Finance Charges

Interest and finance charges comprise:

in HK$ million	**Half year ended 30 June 2013**	Half year ended 30 June 2012
Interest expenses	**757**	735
Utilisation of government subsidy for Shenzhen Metro Longhua Line operation	**(125)**	(125)
Derivative financial instruments	**32**	28
Interest expenses capitalised	**(127)**	(71)
	537	567
Interest income	**(110)**	(172)
Interest income capitalised	**8**	37
	(102)	(135)
	435	432

5 Share of Profit or Loss of Associates

Share of profit or loss of associates comprises:

in HK$ million	**Half year ended 30 June 2013**	Half year ended 30 June 2012 (Restated)
Share of profit or loss before taxation	**85**	281
Share of income tax (expense)/credit	**(34)**	18
	51	299

6 Income Tax

Income tax in the consolidated profit and loss account represents:

in HK$ million	**Half year ended 30 June 2013**	Half year ended 30 June 2012 (Restated)
Current tax		
– Provision for Hong Kong Profits Tax at 16.5% (2012: 16.5%) for the period	**696**	666
– Mainland of China and overseas tax for the period	**105**	87
	801	753
Deferred tax		
– Origination and reversal of temporary differences on:		
– tax losses	**7**	–
– depreciation allowances in excess of related depreciation	**89**	5
– provision and others	**3**	23
	99	28
	900	781

Current tax provision for Hong Kong Profits Tax for the half year ended 30 June 2013 is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the period after deducting accumulated tax losses brought forward, if any. Current taxes for the Mainland of China and overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant countries.

Provision for deferred tax on temporary differences arising in Hong Kong is calculated at the Hong Kong Profits Tax rate at 16.5% (2012: 16.5%) while those arising in the Mainland of China and overseas are calculated at the appropriate current rates of taxation ruling in the relevant countries.

7 Dividends

Dividends paid and proposed to equity shareholders of the Company comprise:

in HK$ million	**Half year ended 30 June 2013**	Half year ended 30 June 2012
Dividends payable attributable to the period		
– Interim dividend declared after the balance sheet date of HK$0.25 (2012: HK$0.25) per share	**1,449**	1,447
Dividends paid attributable to the previous year		
– Final dividend of HK$0.54 (2011: HK$0.51) per share approved and paid during the period	**3,130**	2,951

8 Earnings Per Share

A Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders for the half year ended 30 June 2013 of HK$6,158 million (2012: HK$5,785 million as restated) and the weighted average number of ordinary shares in issue during the period of 5,795,654,610 (2012: 5,785,696,289), calculated as follows:

	Half year ended 30 June 2013	Half year ended 30 June 2012
Issued ordinary shares at 1 January	**5,793,196,650**	5,784,871,250
Effect of share options exercised	**2,457,960**	825,039
Weighted average number of ordinary shares at 30 June	**5,795,654,610**	5,785,696,289

B Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders for the half year ended 30 June 2013 of HK$6,158 million (2012: HK$5,785 million as restated) and the weighted average number of ordinary shares in issue during the period of 5,802,552,504 (2012: 5,788,779,216) after adjusting for the number of dilutive potential ordinary shares under the employee share option schemes, calculated as follows:

	Half year ended 30 June 2013	Half year ended 30 June 2012
Weighted average number of ordinary shares at 30 June	**5,795,654,610**	5,785,696,289
Effect of dilutive potential shares under the Company's share option schemes	**6,897,894**	3,082,927
Weighted average number of ordinary shares (diluted) at 30 June	**5,802,552,504**	5,788,779,216

C Both basic and diluted earnings per share would have been HK$0.73 (2012: HK$0.70 as restated) if the calculation is based on profit attributable to equity shareholders of the Company arising from underlying businesses of HK$4,251 million (2012: HK$4,045 million as restated).

9 Segmental Information

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 six reportable segments:

(i) Hong Kong transport operations: The provision of passenger operation and related services on the urban 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 the Mainland of China at Lo Wu and Lok Ma Chau, 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 business: Commercial activities including the letting of advertising, retail and car parking space 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 space and the provision of estate management services in Hong Kong.

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

(v) 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").

9 Segmental Information *(continued)*

(vi) Mainland of China and international affiliates: The operation and maintenance of mass transit railway systems including station commercial activities outside of Hong Kong and the letting of retail space, provision of estate management services and development of properties in the Mainland of China.

During the year ended 31 December 2012, the Group made a realignment of the business segments to re-categorise its property development, rental and management activities in the Mainland of China with its railway operations outside of Hong Kong. Accordingly, the relevant comparatives of the consolidated profit and loss account and segmental information are reclassified. The realigned revenue and expenses in respect of property development, rental and management activities in the Mainland of China amounted to HK$67 million and HK$57 million respectively for the half year ended 30 June 2012.

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

in HK$ million	Hong Kong transport operations	Hong Kong station commercial business	Hong Kong property rental and management businesses	Hong Kong property developments	Other businesses	Mainland of China and international affiliates	Un-allocated amount	Total
Half year ended 30 June 2013								
Revenue	**7,258**	**2,194**	**1,842**	**–**	**895**	**7,025**	**–**	**19,214**
Operating expenses	**(3,822)**	**(206)**	**(304)**	**–**	**(830)**	**(6,565)**	**–**	**(11,727)**
Project study and business development expenses	**–**	**–**	**–**	**–**	**–**	**–**	**(155)**	**(155)**
Operating profit before Hong Kong property developments, depreciation, amortisation and variable annual payment	**3,436**	**1,988**	**1,538**	**–**	**65**	**460**	**(155)**	**7,332**
Profit on Hong Kong property developments	**–**	**–**	**–**	**531**	**–**	**–**	**–**	**531**
Operating profit before depreciation, amortisation and variable annual payment	**3,436**	**1,988**	**1,538**	**531**	**65**	**460**	**(155)**	**7,863**
Depreciation and amortisation	**(1,495)**	**(66)**	**(4)**	**–**	**(31)**	**(45)**	**–**	**(1,641)**
Variable annual payment	**(433)**	**(155)**	**(1)**	**–**	**–**	**–**	**–**	**(589)**
Operating profit before interest and finance charges	**1,508**	**1,767**	**1,533**	**531**	**34**	**415**	**(155)**	**5,633**
Interest and finance charges	**–**	**–**	**–**	**–**	**–**	**6**	**(441)**	**(435)**
Investment property revaluation	**–**	**–**	**1,907**	**–**	**–**	**–**	**–**	**1,907**
Share of profit or loss of associates	**–**	**–**	**–**	**–**	**102**	**(51)**	**–**	**51**
Income tax	**–**	**–**	**–**	**(84)**	**–**	**(107)**	**(709)**	**(900)**
Profit for the half year ended 30 June 2013	**1,508**	**1,767**	**3,440**	**447**	**136**	**263**	**(1,305)**	**6,256**
Half year ended 30 June 2012 (Restated)								
Revenue	6,914	1,699	1,663	–	476	6,402	–	17,154
Operating expenses	(3,625)	(188)	(278)	–	(476)	(6,059)	–	(10,626)
Project study and business development expenses	–	–	–	–	–	–	(100)	(100)
Operating profit before Hong Kong property developments, depreciation, amortisation and variable annual payment	3,289	1,511	1,385	–	–	343	(100)	6,428
Profit on Hong Kong property developments	–	–	–	627	–	–	–	627
Operating profit before depreciation, amortisation and variable annual payment	3,289	1,511	1,385	627	–	343	(100)	7,055
Depreciation and amortisation	(1,470)	(70)	(4)	–	(30)	(39)	–	(1,613)
Variable annual payment	(321)	(81)	–	–	–	–	–	(402)
Operating profit before interest and finance charges	1,498	1,360	1,381	627	(30)	304	(100)	5,040
Interest and finance charges	–	–	–	–	–	–	(432)	(432)
Investment property revaluation	–	–	1,740	–	–	–	–	1,740
Share of profit or loss of associates	–	–	–	–	95	204	–	299
Income tax	–	–	–	(103)	–	(81)	(597)	(781)
Profit for the half year ended 30 June 2012	1,498	1,360	3,121	524	65	427	(1,129)	5,866

9 Segmental Information *(continued)*

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or goods were delivered.

in HK$ million	**Half year ended 30 June 2013**	Half year ended 30 June 2012
Hong Kong (place of domicile)	**12,170**	10,732
Australia	**5,060**	4,582
Mainland of China	**302**	260
Sweden	**1,666**	1,562
Other countries	**16**	18
	7,044	6,422
	19,214	17,154

10 Other Comprehensive Income

The changes in each component of equity arising from transactions recognised in other comprehensive income of the Group are as follows:

in HK$ million	**Half year ended 30 June 2013**	Half year ended 30 June 2012 (Restated)
Fixed assets revaluation reserve		
Changes in fair value recognised during the period	**305**	142
Tax effect	**(50)**	(23)
	255	119
Retained profits		
Changes in net liability of defined benefit plans resulting from remeasurement recognised during the period	**–**	2,382
Tax effect	**–**	(393)
	–	1,989
Exchange reserve		
Exchange differences on translation of financial statements of overseas subsidiaries and associates	**29**	(49)
Exchange differences on translation of non-controlling interests	**(26)**	(1)
	3	(50)
Hedging reserve		
Effective portion of changes in fair value of hedging instruments recognised during the period	**14**	(32)
Amounts transferred to initial carrying amount of hedged items	**(1)**	(2)
Amounts transferred to profit or loss	**32**	33
Tax effect resulting from:		
– Changes in fair value of hedging instruments recognised during the period	**(2)**	5
– Amounts transferred to profit or loss	**(5)**	(5)
	38	(1)
	296	2,057

11 Investment Properties

All investment properties of the Group were revalued at open market value at 30 June 2012 and 2013 by an independent firm of surveyors, Jones Lang LaSalle Limited, who have among their staff Members of the Hong Kong Institute of Surveyors. The valuations are based on a "term and reversion basis", which capitalises the existing and reversionary net rental income having regard to market valuation checks on comparable sale and yields. The net increase in fair value of HK$1,907 million (2012: HK$1,740 million) arising from the revaluation has been credited to the consolidated profit and loss account.

12 Other Property, Plant and Equipment

A Acquisitions and Disposals

During the half year ended 30 June 2013, the Group acquired or commissioned assets at a total cost of HK$621 million (2012: HK$723 million). Items of civil works and plant and equipment with a net book value of HK$28 million (2012: HK$21 million) were disposed during the same period, resulting in a net loss on disposal of HK$9 million (2012: HK$10 million).

B 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 at an open market value on an existing use basis at 30 June 2012 and 2013 by an independent firm of surveyors, Jones Lang LaSalle Limited, who have among their staff Members of the Hong Kong Institute of Surveyors. The valuation resulted in a revaluation surplus of HK$305 million (2012: HK$142 million), which, net of deferred tax provision of HK$50 million (2012: HK$23 million), has been recognised in other comprehensive income and accumulated in the fixed assets revaluation reserve account (note 10).

13 Service Concession Assets

During the half year ended 30 June 2013, the Group incurred HK$475 million (2012: HK$278 million) of expenditure for the replacement and upgrade of the rail and bus system leased from the Kowloon-Canton Railway Corporation ("KCRC") ("Additional Concession Property") under service concession arrangement in the Rail Merger and HK$232 million (2012: HK$242 million) of expenditure for asset additions in respect of Shenzhen Metro Longhua Line.

14 Railway Construction in Progress

Movements of railway construction in progress are as follows:

in HK$ million	Balance at 1 January	Expenditure	Utilisation of government grant	Balance at 30 June/ 31 December
At 30 June 2013 (Unaudited)				
West Island Line Project	**–**	**1,007**	**(1,007)**	**–**
South Island Line (East) Project	**5,410**	**1,757**	**–**	**7,167**
Kwun Tong Line Extension Project	**2,048**	**565**	**–**	**2,613**
	7,458	**3,329**	**(1,007)**	**9,780**
At 31 December 2012 (Audited)				
West Island Line Project	–	3,152	(3,152)	–
South Island Line (East) Project	2,612	2,798	–	5,410
Kwun Tong Line Extension Project	954	1,094	–	2,048
	3,566	7,044	(3,152)	7,458

15 Property Development in Progress

Movements of property development in progress during the half year ended 30 June 2013 and the year ended 31 December 2012 are as follows:

in HK$ million	Balance at 1 January	Expenditure	Offset against payments received from developers	Transfer out on project completion	Exchange differences	Balance at 30 June/ 31 December
At 30 June 2013 (Unaudited)						
Airport Railway Property Projects	**–**	**2**	**(2)**	**–**	**–**	**–**
Tseung Kwan O Extension Property Projects	**1,150**	**28**	**(2)**	**(2)**	**–**	**1,174**
East Rail Line/Kowloon Southern Link/ Light Rail Property Projects	**5,906**	**39**	**–**	**–**	**–**	**5,945**
South Island Line (East) Property Project	**692**	**159**	**–**	**–**	**–**	**851**
Kwun Tong Line Extension Property Project	**175**	**68**	**–**	**–**	**–**	**243**
Shenzhen Property Project	**2,507**	**47**	**–**	**–**	**36**	**2,590**
	10,430	**343**	**(4)**	**(2)**	**36**	**10,803**
At 31 December 2012 (Audited)						
Airport Railway Property Projects	–	3	(3)	–	–	–
Tseung Kwan O Extension Property Projects	1,088	67	(5)	–	–	1,150
East Rail Line/Kowloon Southern Link/ Light Rail Property Projects	8,081	150	–	(2,325)	–	5,906
South Island Line (East) Property Project	285	407	–	–	–	692
Kwun Tong Line Extension Property Project	65	110	–	–	–	175
Shenzhen Property Project	2,445	38	–	–	24	2,507
	11,964	775	(8)	(2,325)	24	10,430

16 Properties Held for Sale

in HK$ million	At 30 June 2013 (Unaudited)	At 31 December 2012 (Audited)
Properties held for sale		
– at cost	**1,990**	2,967
– at net realisable value	**51**	49
	2,041	3,016

Properties held for sale at net realisable value are stated net of cost provision of HK$5 million (31 December 2012: HK$8 million) in order to state these properties at the lower of their costs and estimated net realisable values.

17 Derivative Financial Assets and Liabilities

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

in HK$ million	At 30 June 2013 (Unaudited) Notional amount	At 30 June 2013 (Unaudited) Fair value	At 31 December 2012 (Audited) Notional amount	At 31 December 2012 (Audited) Fair value
Derivative Financial Assets				
Foreign exchange forwards				
– fair value hedges	**3,491**	**9**	–	–
– cash flow hedges	**27**	**1**	147	7
– not qualified for hedge accounting	**9**	**–**	157	3
Cross currency swaps				
– fair value hedges	**2,017**	**12**	2,021	33
Interest rate swaps				
– fair value hedges	**2,814**	**124**	4,063	213
	8,358	**146**	6,388	256
Derivative Financial Liabilities				
Foreign exchange forwards				
– fair value hedges	**–**	**–**	3,491	17
– cash flow hedges	**109**	**4**	62	1
– not qualified for hedge accounting	**130**	**2**	40	1
Cross currency swaps				
– fair value hedges	**5,860**	**70**	5,080	23
Interest rate swaps				
– fair value hedges	**1,150**	**59**	–	–
– cash flow hedges	**2,062**	**35**	2,212	90
	9,311	**170**	10,885	132
Total	**17,669**		17,273	

18 Debtors, Deposits and Payments in Advance

The Group's credit policies in respect of receivables arising from its principal activities are as follows:

(i) The majority of fare revenue from Hong Kong transport operations 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) Fare revenue from Shenzhen Metro Longhua Line is collected either through Shenzhen Tong Cards with daily settlement on the next working day or in cash for other ticket types.

(iii) Franchise revenue in Melbourne is collected either weekly or monthly depending on the revenue nature. The majority of the franchise revenue in Stockholm is collected in the transaction month with the remainder being collected in the following month.

(iv) Rentals, advertising and telecommunication 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.

(v) Amounts receivable under interest rate and currency swap agreements with financial institutions are due in accordance with the terms of the respective agreements.

(vi) Consultancy service incomes are billed monthly for settlement within 30 days upon work completion or on other basis as stipulated in the consultancy contracts.

(vii) 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.

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

18 Debtors, Deposits and Payments in Advance *(continued)*

The ageing of debtors is analysed as follows:

in HK$ million	**At 30 June 2013 (Unaudited)**	At 31 December 2012 (Audited and restated)
Amounts not yet due	**2,307**	3,373
Overdue by 30 days	**257**	127
Overdue by 60 days	**46**	15
Overdue by 90 days	**2**	9
Overdue by more than 90 days	**5**	13
Total debtors	**2,617**	3,537
Deposits and payments in advance	**721**	709
	3,338	4,246

Included in the balance as at 30 June 2013 was HK$925 million (31 December 2012: HK$1,849 million) in respect of property development projects.

19 Material Related Party Transactions

The Financial Secretary Incorporated (the "FSI") of the HKSAR Government, which holds approximately 76.5% of the Company's issued share capital on trust for the HKSAR Government, 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 2009), *Related Party Disclosures*, and are identified separately in this interim financial report.

As at 30 June 2013, 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 2013 (Unaudited)**	At 31 December 2012 (Audited and restated)
Amounts due from:		
– HKSAR Government	**682**	698
– KCRC	**7**	14
– associates	**66**	73
	755	785
Amounts due to:		
– HKSAR Government	**23**	27
– KCRC	**1,088**	1,008
– an associate	**12**	26
	1,123	1,061

As at 30 June 2013, 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 Hong Kong railway extension projects of West Island Line, South Island Line (East) and Kwun Tong Line Extension, 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 in respect of West Rail property developments, as well as receivables and retention for other entrustment and maintenance works. The amount due to the HKSAR Government mainly related to land administration charges in respect of the Hong Kong railway extension projects.

The amount due from KCRC mainly related to the recoverable cost for certain capital works and property enabling works in accordance with the agreements in relation to the Rail Merger. The amount due to KCRC related to mandatory payments and related interest payable to KCRC in respect of a property development site along the Light Rail as well as the accrued portion of fixed and variable annual payments arising from the Rail Merger.

The amount due from associates included mainly receivables in relation to the daily Octopus card transactions with Octopus Cards Limited, the outstanding balances of a loan to Tunnelbanan Teknik Stockholm AB ("TBT") as well as staff secondment and other service fees receivable from Beijing (MTR) Corporation Limited ("Beijing MTR"). The amount due to an associate related to rolling stock maintenance service fees payable to TBT.

During the half year ended 30 June 2013, the Group received SEK10 million (HK$12 million) of repayment from TBT and distributed cash dividends of HK$2,395 million (2012: HK$2,262 million) to the FSI of the HKSAR Government.

19 Material Related Party Transactions *(continued)*

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 were described in the Company's audited accounts for the year ended 31 December 2012.

During the half year ended 30 June 2013, the Group had the following transactions with its associates, namely Octopus Holdings Limited and its subsidiaries ("Octopus Group"), TBT, Beijing MTR and London Overground Rail Operations Ltd ("LOROL"):

in HK$ million	**Half year ended 30 June 2013**	Half year ended 30 June 2012
Octopus Group		
– Expenses paid or payable in respect of central clearing services provided by Octopus Group	**62**	60
– Fees received or receivable in respect of load agent, Octopus card issuance and refund services, computer equipment and relating services, project administration services and warehouse storage space provided to Octopus Group	**15**	14
– Dividend received from Octopus Group	**34**	149
TBT		
– Expenses paid or payable in respect of rolling stock maintenance and other supporting services provided by TBT for the Stockholm Metro operation	**320**	302
– Fees received or receivable in respect of staff secondment, depots and depot equipment rental and other support services provided to TBT	**66**	71
Beijing MTR		
– Fees received or receivable in respect of staff secondment, information technology and other support services provided to Beijing MTR	**7**	7
LOROL		
– Dividend received from LOROL	**–**	52

20 Creditors and Accrued Charges

During the half year ended 30 June 2013, the price for Lot 1 of the Shenzhen Metro Longhua Line Depot Site of RMB1,977 million (HK$2,480 million) was fully settled. As at 30 June 2013, creditors and accrued charges included HK$454 million (31 December 2012: HK$1,461 million) of Government grant not yet utilised for the construction of the West Island Line. Other creditors and accrued charges mainly related to capital projects to be settled upon certification of work in progress. The Group has no significant balances of trade creditors resulting from its provision of transportation services.

The analysis of creditors as at 30 June 2013 by due dates is as follows:

in HK$ million	**At 30 June 2013 (Unaudited)**	At 31 December 2012 (Audited and restated)
Due within 30 days or on demand	**3,586**	5,418
Due after 30 days but within 60 days	**1,907**	2,326
Due after 60 days but within 90 days	**475**	535
Due after 90 days	**2,215**	2,124
	8,183	10,403
Rental and other refundable deposits	**2,785**	2,738
Accrued employee benefits	**573**	515
Government grant on West Island Line Project un-utilised	**454**	1,461
Net obligations on defined benefit plan	**1,524**	1,413
	13,519	16,530

21 Loans and Other Obligations

Notes issued by the Group during the half years ended 30 June 2013 and 2012 comprise:

	Half year ended 30 June 2013		Half year ended 30 June 2012	
in HK$ million	Principal amount	Net consideration received	Principal amount	Net consideration received
Debt issuance programme notes	**1,398**	**1,361**	3,247	3,217

The above notes were issued in Hong Kong, comprising notes of USD90 million in principal amount (equivalent to HK$698 million) (2012: nil) issued by the Company and notes of HK$700 million in principal amount (2012: HK$3,247 million) issued by MTR Corporation (C.I.) Limited ("MTR (C.I.)"). The notes issued by MTR (C.I.) are unconditionally and irrevocably guaranteed by the Company, and are direct, unsecured, unconditional and unsubordinated to other unsecured and unsubordinated obligations of MTR (C.I.). 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 half year ended 30 June 2013, the Group redeemed HK$2,306 million of its unlisted debt securities but none of its listed debt securities. During the half year ended 30 June 2012, the Group did not redeem any of its listed or unlisted debt securities.

22 Deferred Tax Assets and Liabilities

A Movements of deferred tax assets and liabilities during the half year ended 30 June 2013 and the year ended 31 December 2012 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
30 June 2013 (Unaudited)						
Balance as at 1 January 2013, as previously reported	**9,332**	**440**	**88**	**(12)**	**(12)**	**9,836**
Effect of adoption of Revised HKAS 19	**–**	**–**	**(270)**	**–**	**–**	**(270)**
Balance as at 1 January 2013, as restated	**9,332**	**440**	**(182)**	**(12)**	**(12)**	**9,566**
Charged to consolidated profit and loss account	**89**	**–**	**3**	**–**	**7**	**99**
Charged to reserves	**–**	**50**	**–**	**7**	**–**	**57**
Exchange difference	**(3)**	**–**	**(1)**	**–**	**–**	**(4)**
Balance as at 30 June 2013	**9,418**	**490**	**(180)**	**(5)**	**(5)**	**9,718**
31 December 2012 (Audited and restated)						
Balance as at 1 January 2012, as previously reported	8,981	373	153	(17)	(16)	9,474
Effect of adoption of Revised HKAS 19	–	–	(505)	–	–	(505)
Balance as at 1 January 2012, as restated	8,981	373	(352)	(17)	(16)	8,969
Charged/(credited) to consolidated profit and loss account, as restated	350	–	(96)	–	4	258
Charged to reserves	–	67	266	5	–	338
Exchange difference	1	–	–	–	–	1
Balance as at 31 December 2012	9,332	440	(182)	(12)	(12)	9,566

B Deferred tax assets and liabilities recognised on the consolidated balance sheet are as follows:

in HK$ million	**At 30 June 2013 (Unaudited)**	At 31 December 2012 (Audited and restated)
Net deferred tax assets recognised on the balance sheet	**(16)**	(21)
Net deferred tax liabilities recognised on the balance sheet	**9,734**	9,587
	9,718	9,566

23 Share Capital, Share Premium and Capital Reserve

in HK$ million	At 30 June 2013 (Unaudited)	At 31 December 2012 (Audited)
Authorised:		
6,500,000,000 shares of HK$1.00 each	**6,500**	6,500
Issued and fully paid:		
5,797,494,150 shares (2012: 5,793,196,650 shares) of HK$1.00 each	**5,797**	5,793
Share premium	**11,424**	11,300
Capital reserve	**27,188**	27,188
	44,409	44,281

A Pursuant to the Articles of Association of the Company, the capital reserve can only be applied in paying up in full unissued shares to be allotted and distributed as fully paid bonus shares to the shareholders of the Company.

Share premium represents the amount by which the issue price of shares exceeds the par value of those shares. The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

B New shares issued and fully paid up during the period comprise:

	Number of shares	Option price HK$	Proceeds received / Transfer from employee share-based capital reserve: Share capital account HK$ million	Share premium account HK$ million	Total HK$ million
Employee share options exercised					
– New Joiners Share Option Scheme	**213,000**	**15.97**	**–**	**4**	**4**
– 2007 Share Option Scheme	**779,500**	**18.30**	**1**	**16**	**17**
	223,000	**26.52**	**–**	**7**	**7**
	1,328,000	**26.85**	**1**	**41**	**42**
	37,000	**26.96**	**–**	**1**	**1**
	296,000	**27.48**	**–**	**9**	**9**
	836,000	**27.60**	**1**	**26**	**27**
	585,000	**28.84**	**1**	**20**	**21**
	4,297,500		**4**	**124**	**128**

C Key details of the Company's share option schemes are summarised as follows:

	Half year ended 30 June 2013: New Joiners Share Option Scheme	Half year ended 30 June 2013: 2007 Share Option Scheme	Half year ended 30 June 2012: New Joiners Share Option Scheme	Half year ended 30 June 2012: 2007 Share Option Scheme
No. of previously vested share options exercised during the period	**213,000**	**4,084,500**	–	1,630,200
No. of share options granted during the period	**–**	**21,605,000**	–	16,917,000
No. of share options forfeited during the period	**–**	**325,000**	–	533,500
No. of share options vested during the period	**–**	**5,720,000**	–	379,500
No. of share options outstanding as at 30 June	**84,500**	**74,282,600**	329,000	64,596,800

Details of the movements in respect of these share option schemes are set out under the Corporate Governance and Other Information section of this interim report.

D During the half year ended 30 June 2013, the Company offered to grant 21,605,000 share options under the Company's 2007 Share Option Scheme to Members of the Executive Directorate and certain eligible employees of the Company (the "Grantees") on 26 April 2013. All were accepted by the grantees on 6 May 2013.

24 Fair Value Measurement of Financial Instruments

A Financial Assets and Liabilities Carried at Fair Value

The level of fair value hierarchy within which the fair value measurements are categorised is analysed below:

in HK$ million	Fair value at 30 June 2013	Fair value measurements as at 30 June 2013	
		Level 1	Level 2
Financial Assets			
Derivative financial assets			
– Foreign exchange forwards	**10**	**–**	**10**
– Cross currency swaps	**12**	**–**	**12**
– Interest rate swaps	**124**	**–**	**124**
	146	**–**	**146**
Investments in securities	**471**	**471**	**–**
	617	**471**	**146**
Financial Liabilities			
Derivative financial liabilities			
– Foreign exchange forwards	**6**	**–**	**6**
– Cross currency swaps	**70**	**–**	**70**
– Interest rate swaps	**94**	**–**	**94**
	170	**–**	**170**

in HK$ million	Fair value at 31 December 2012	Fair value measurements as at 31 December 2012	
		Level 1	Level 2
Financial Assets			
Derivative financial assets			
– Foreign exchange forwards	10	–	10
– Cross currency swaps	33	–	33
– Interest rate swaps	213	–	213
	256	–	256
Investments in securities	393	393	–
	649	393	256
Financial Liabilities			
Derivative financial liabilities			
– Foreign exchange forwards	19	–	19
– Cross currency swaps	23	–	23
– Interest rate swaps	90	–	90
	132	–	132

24 Fair Value Measurement of Financial Instruments *(continued)*

A Financial Assets and Liabilities Carried at Fair Value *(continued)*

The levels of the fair value hierarchy are defined as follows:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: Fair values measured using inputs other than quoted prices included in Level 1 that are observable for the financial instrument, either directly (as prices) or indirectly (derived from prices)

Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There are no Level 3 measurements of financial instruments. During the six months ended 30 June 2013 and 2012, 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 at the balance sheet date. Closing exchange rates at the balance sheet date were used to convert value in foreign currency to local currency.

B 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 2013 and 31 December 2012 except for loans and other obligations, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2013		At 31 December 2012	
in HK$ million	Carrying amount	Fair value	Carrying amount	Fair value
Capital market instruments	**17,795**	**18,766**	18,968	20,373
Bank loans	**5,061**	**5,061**	3,887	3,887
Others	**374**	**451**	367	493
Loans and other obligations	**23,230**	**24,278**	23,222	24,753

25 Cash Generated from Operations

Reconciliation of operating profit before property developments, depreciation, amortisation and variable annual payment to cash generated from operations is as follows:

in HK$ million	Half year ended 30 June 2013 (Unaudited)	Half year ended 30 June 2012 (Unaudited and restated)
Operating profit before Hong Kong property developments, depreciation, amortisation and variable annual payment	**7,332**	6,428
Adjustments for:		
– Decrease in provision for obsolete stock	**(2)**	(1)
– Loss on disposal of fixed assets	**11**	10
– Amortisation of deferred income from transfers of assets from customers	**(7)**	(5)
– Decrease/(increase) in fair value of derivative instruments	**4**	(3)
– Unrealised loss/(gain) on revaluation of investment in securities	**4**	(6)
– Employee share-based payment expenses	**22**	27
– Exchange loss/(gain)	**5**	(1)
Operating profit from recurrent businesses before working capital changes	**7,369**	6,449
Increase in debtors, deposits and payments in advance	**(187)**	(22)
Increase in stores and spares	**(62)**	(67)
Increase in creditors and accrued charges	**735**	1,457
Cash generated from operations	**7,855**	7,817

26 Capital Commitments

A Outstanding capital commitments as at 30 June 2013 not provided for in the accounts were as follows:

in HK$ million	Hong Kong transport, 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 2013 (Unaudited)					
Authorised but not yet contracted for	**3,031**	**–**	**578**	**2**	**3,611**
Authorised and contracted for	**4,474**	**6,668**	**108**	**678**	**11,928**
	7,505	**6,668**	**686**	**680**	**15,539**
At 31 December 2012 (Audited)					
Authorised but not yet contracted for	2,627	–	808	1	3,436
Authorised and contracted for	3,793	8,706	279	104	12,882
	6,420	8,706	1,087	105	16,318

B The capital commitments under Hong Kong transport operations, Hong Kong station commercial business and other businesses comprise the following:

in HK$ million	Improvement and enhancement works	Acquisition of property, plant and equipment	Additional concession property	Total
At 30 June 2013 (Unaudited)				
Authorised but not yet contracted for	**1,515**	**138**	**1,378**	**3,031**
Authorised and contracted for	**636**	**142**	**3,696**	**4,474**
	2,151	**280**	**5,074**	**7,505**
At 31 December 2012 (Audited)				
Authorised but not yet contracted for	1,339	205	1,083	2,627
Authorised and contracted for	545	320	2,928	3,793
	1,884	525	4,011	6,420

27 Approval of Interim Financial Report

The interim financial report was approved by the Board on 26 August 2013.

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 32 to 52 which comprises the consolidated balance sheet of MTR Corporation Limited as of 30 June 2013 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 2013 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
26 August 2013

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MTR Corporation Limited
MTR Headquarters Building, Telford Plaza
Kowloon Bay, Kowloon, Hong Kong
GPO Box 9916, Hong Kong
Telephone : (852) 2993 2111
Facsimile : (852) 2798 8822

www.mtr.com.hk

Stock Code: 66