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 **MTR**
MTR CORPORATION LIMITED
香港鐵路有限公司

(the “Company”)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 66)

INSIDE INFORMATION

OYSTER BAY STATION

ACCEPTANCE OF LAND EXCHANGE OFFER

AND EXECUTION OF PROJECT AGREEMENT

The 2020 Policy Address announced the development of the site of the Company’s existing depot at Siu Ho Wan which is expected to provide a total of about 20,000 public and private residential units in the medium to long term.

In order to proceed with the proposed development of the site of the Company’s existing depot at Siu Ho Wan, the Company applied for a land exchange for the depot conversion and, on 23 September 2022, the Company accepted the Government’s Land Exchange Offer.

To cater for the transportation needs of the new community, the Company will construct a new railway station (Oyster Bay Station) at Siu Ho Wan along the existing Tung Chung Line.

On 23 September 2022, the Company and the Secretary for Transport and Logistics for and on behalf of the Government entered into the Project Agreement for the financing, design, construction, pre-operation, operation and maintenance of the Oyster Bay Station which will be owned, operated and maintained by the Company.

Further details relating to the Land Exchange Offer and the Project Agreement are set out below.

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

Investors should exercise caution in their dealings in the securities of the Company.

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BACKGROUND

The 2020 Policy Address announced the development of the Site which is expected to provide a total of about 20,000 public and private residential units in the medium to long term, of which around 50 per cent will be subsidised sale flats.

On 24 December 2021, the Company obtained planning permission from the Town Planning Board under section 16 of the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong) for the Layout Plan. The development under the approved Layout Plan comprises residential, commercial, public transport interchange and Government, Institution or Community uses.

To implement the approved Layout Plan and in order to proceed with the proposed development of the site of the Company's existing depot at Siu Ho Wan, the Company applied for a land exchange for the depot conversion with a roof deck and property enabling works for topside property development. The Company has accepted the Government's Land Exchange Offer, as described below.

To cater for the transportation needs of the new community, the Company will construct a new railway station (Oyster Bay Station) at Siu Ho Wan along the existing Tung Chung Line.

The railway scheme for Oyster Bay Station was published in June 2021 and was authorised by the then Secretary for Transport and Housing (the office of which is now replaced by the Secretary for Transport and Logistics) on 25 August 2021 pursuant to section 11(1) of the Railways Ordinance (Chapter 519 of the Laws of Hong Kong).

The Company has commenced the detailed planning and design of Oyster Bay Station and has entered into the Project Agreement, as described below.

THE LAND EXCHANGE OFFER

As referred to above, in order to proceed with the proposed development of the site of the Company's existing depot at Siu Ho Wan, the Company applied for a land exchange for the depot conversion with a roof deck and property enabling works for topside property development and, on 23 September 2022, the Company accepted the Government's Land Exchange Offer under the Offer Letter. Pursuant thereto, the Company will surrender the Surrendered Lots to the Government and the Government will grant the in-situ Regranted Lots to the Company, subject to the terms and conditions in the Memorandum of Agreement.

Currently, the site of the Company's existing depot at Siu Ho Wan, which covers approximately 30 hectares, is being used by the Company as a railway depot for the maintenance and stabling of its trains and running tracks of the Tung Chung Line, Airport Express and Disneyland Resort Line owned and operated by the Company.

Whilst maintaining the functions and operation of its existing depot, the Company will, on a phased basis, migrate and re-provision the depot to enable the proposed property development and will develop the private development with a total gross floor area of about 860,500 square metres (comprising about 826,000 square metres for private residential purposes and 34,500 square metres for commercial purposes). The Company will also form the relevant portions of the Site and, upon completion of those portions of the Site, hand them over to the Government to implement the public housing development.

The development of the private development at the Regranted Lots will be carried out in phases with the first phase commencing in 2022 and the final phase of the private development expected to be completed from 2039.

The land premium payable by the Company for the Land Exchange has been determined by the Government on a full market value basis (i.e. on a with-railway basis) with the costs for the construction of the new Oyster Bay Station, re-provision of the depot, property enabling works (including roof deck over the depot for top-side property development) and site formation being accepted by the Government as deductible costs for the purposes of land premium assessment.

The land premium will be fully paid by the Company at the time of the execution of the relevant land grant.

The land premium assessment in respect of the Land Exchange (as described above) has certain differences compared to the approach taken for property developments associated with new railway lines pursuant to the Rail plus Property model, in that the land premium assessment for the Land Exchange will take account of both: (i) the presence of the railway; and (ii) the deductible costs described above.

The amount of financial contribution from the development of the Regranted Lots will depend on a number of factors including: (i) the condition of the property market in the future; (ii) the cost of such property development, including construction costs, marketing and sales expenses, finance charges and other expenses; and (iii) the actual gross floor area of the relevant development. **There is no guarantee as to the amount of financial contribution from such property development nor that any such contribution, in combination with profits from the rail and related operations of the Oyster Bay Station, will result in the Company achieving a commercial rate of return.**

THE PROJECT AGREEMENT

As referred to above, to cater for the transportation needs of the new community, the Company will finance, construct, operate and maintain a new railway station (Oyster Bay Station) at Siu Ho Wan along the existing Tung Chung Line.

For this purpose, on 23 September 2022, the Project Agreement was entered into for the financing, design, construction, pre-operation, operation and maintenance of the Oyster Bay Station which will be owned, operated and maintained by the Company for its own account for the Franchise Period.

Parties

- (1) the Company; and
- (2) the Secretary for Transport and Logistics for and on behalf of the Government.

The Company's principal obligations

The Company shall carry out, or procure the carrying out, of the OYB Works and shall bring into operation, operate and maintain the Oyster Bay Station. The design, construction, operation and maintenance of the OYB Works shall be undertaken in a manner which reflects the Company's responsibilities and duties under the MTR Ordinance, the Operating Agreement and the Project Agreement and in accordance with applicable laws and regulations.

In fulfilment of its obligations under the Project Agreement, the Company shall comply with and satisfy all relevant statutory or other legal requirements applicable to the OYB Project.

The Company shall carry out the OYB Project with the skill and care reasonably to be expected of a professional and competent railway project delivery entity and operator which is engaged in the delivery of a new railway line of the type and scope of Oyster Bay Station.

The Company shall on its own pay for the full amount of the OYB Cost (subject to the land premium arrangement described above in the section headed "THE LAND EXCHANGE OFFER") and shall bear all land acquisition costs arising from the implementation of the OYB Project.

The Company shall use its reasonable endeavours to complete the OYB Project so as to enable Commercial Operations of the Oyster Bay Station to commence by the Scheduled Operating Date. The Company expects to commence construction of Oyster Bay Station in the third quarter of 2023 with a view to commencing Commercial Operations by the end of 2030.

The Company expects the costs for the construction of the new Oyster Bay Station, re-provision of the depot, property enabling works (including roof deck over the depot for top-side property development) and site formation, in aggregate, to be in the region of HK\$36 billion in December 2020 prices. The Company currently expects to incur such costs over the next 15 years or so and to fund such costs from the financial contribution from the above-mentioned development of the Regranted Lots and its internal resources.

In the event that Commercial Operations commence on a date which is beyond the Scheduled Operating Date, the Company shall set aside certain amounts from the revenue generated from the Mass Transit Railway for funding network improvements in the Mass Transit Railway.

The Company has completed an environmental impact assessment relating to the construction and operation of the OYB Project which has been approved by the Director of Environmental Protection. The Company shall, at its own cost, carry out the measures specified in the environmental impact assessment and environmental permit issued by the Government.

The Company shall be subject to monitoring and control arrangements to be performed by the Government to oversee the delivery performance of the OYB Project, in accordance with the terms of the Project Agreement.

The Government's principal obligations

The Government shall, amongst other things:

- (a) use reasonable endeavours to provide the Company with any information or assistance of a non-financial nature reasonably required by the Company to meet its obligations under the Project Agreement;
- (b) use reasonable endeavours to make land available to the Company for the timely implementation of the OYB Project;
- (c) grant to the Company title to all land held or obtained by the Government which is required for the purposes of the operation and maintenance of the Oyster Bay Station; and

(d) permit the Company to sublet or part with possession of, or carry out trades or activities at, the Oyster Bay Station.

The Project Agreement states that it has been the Government's overall aim to develop an affordable, accessible, efficient and environmentally friendly public transport system providing diverse choices for the travelling public, and to continue to develop a passenger transportation system centred on public transport with railway as the backbone. The Government encourages the Company to take reasonable steps to promote use of the Oyster Bay Station as are compatible with the MTR Ordinance, the Operating Agreement and the Project Agreement.

Mutual obligations

Each of the Government and the Company shall use reasonable endeavours to co-operate with the other in relation to the preparation of any submission or other document to various authorities.

The Government and the Company shall take forward collaborative work initiatives, including developing a charter for fostering a shared vision of the OYB Project and adopting collaborative working behaviours.

REASONS FOR, AND BENEFITS OF, THE LAND EXCHANGE AND THE PROJECT AGREEMENT

Consistent with, and to further develop, its principal business activities (as described below), the Company has accepted the Land Exchange Offer and has entered into the Project Agreement.

The Company has accepted the Land Exchange Offer in order to be able to proceed with the proposed property development described above. To cater for the transportation needs of the new community, the Company will finance, construct, operate and maintain the new Oyster Bay Station in accordance with the Project Agreement with a view to expanding its railway network through the addition of the new Oyster Bay Station and, thereby, generating revenues from the fares paid by passengers who use the Oyster Bay Station.

In considering the Land Exchange Offer and the OYB Project, the Company has applied its internal governance and review processes and has obtained advice from a financial adviser (Rothschild & Co Hong Kong Limited), which concluded that the Land Exchange Offer together with the Project Agreement are fair and reasonable and in the interests of the Company and its shareholders (including its independent shareholders) as a whole.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Group is principally engaged in the following core businesses: railway design, construction, operation, maintenance and investment in Hong Kong, Macao, Mainland China and a number of overseas cities; project management in relation to railway and property development businesses in Hong Kong and Mainland China; station commercial business including leasing of station retail space, leasing of advertising space inside trains and stations, and enabling of telecommunication services on the railway system in Hong Kong; property business, including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and Mainland China; investment in Octopus Holdings Limited; provision of railway management, engineering and technology training; and investment in relevant new technologies.

GENERAL

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

The members of the Board who were appointed by the Government pursuant to section 8 of the MTR Ordinance or who hold a position in the Government were not present at the relevant Board meeting when the acceptance of the Government's Land Exchange Offer and the Project Agreement were approved by the Board and did not vote on the relevant Board resolutions.

DEFINITIONS

"Board"	means the board of directors of the Company;
"Commercial Operations"	means in relation to the Oyster Bay Station, the operation of railway services at the Oyster Bay Station on a revenue earning basis by providing scheduled transport to the public;
"Company"	means MTR Corporation Limited;
"Franchise Period"	has the meaning ascribed to that term in the MTR Ordinance;
"Government"	means the Government of the Hong Kong Special Administrative Region;
"Group"	means the Company and its subsidiaries;
"HK\$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong" or "HKSAR"	means the Hong Kong Special Administrative Region of the People's Republic of China;
"Land Exchange"	means the surrender of the Surrendered Lots and the grant of the Regranted Lots;
"Land Exchange Offer"	means the Government's offer of the Land Exchange;
"Layout Plan"	means the layout plan of the Site as more particularly described above in the section headed "BACKGROUND";
"Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Memorandum of Agreement"	means the Memoranda of Agreement for the Particulars and Conditions of Exchange of the Regranted Lots attached to the

Offer Letter setting out the general and special conditions on which the Regranted Lots will be granted;

- “MTR Ordinance”** means the Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong);
- “Offer Letter”** the letter dated 24 August 2022 from the Government to the Company containing the Land Exchange Offer;
- “Operating Agreement”** means the operating agreement dated 9 August 2007 made between the then Secretary for Transport and Housing (the office of which is now replaced by the Secretary for Transport and Logistics) for and on behalf of the Government and the Company, as contemplated in Section 4(2) of the MTR Ordinance, as amended from time to time;
- “OYB Cost”** means all amounts payable for the OYB Works;
- “OYB Project”** means the works comprising OYB Works;
- “OYB Works”** means all items of work which are, or are necessary for, the financing, design, engineering, feasibility studies, technical studies, land acquisition, procurement, construction, testing, commissioning, completion, pre-operation, operation and maintenance of the Oyster Bay Station, as more particularly described in the Project Agreement;
- “Oyster Bay Station”** means: (i) the new intermediate railway station proposed to be constructed at the Siu Ho Wan Depot Site (Phases 1 to 3); and (ii) addition of tracks and turnouts for bifurcating the Tung Chung railway from shared track of the existing Airport Express Line and the existing Tung Chung Line;
- “Project Agreement”** the project agreement entered into on 23 September 2022 by the Secretary for Transport and Logistics for and on behalf of Government and the Company, for the financing, design, construction, pre-operation, operation and maintenance of the Oyster Bay Station;
- “Regranted Lots”** means two lots to be known and registered at the Land Registry as Lot No. 145 in Demarcation District No. 346 and Lot No. 146 in Demarcation District No. 346 which have a total site area of about 31 hectares;
- “Scheduled Operating Date”** means the date on which Commercial Operations of the Oyster Bay Station is scheduled to commence;
- “Site”** means the site of the depot at Siu Ho Wan which is owned by the Company;

“Siu Ho Wan Depot Site (Phases 1 to 3)” means a new lot to be known and registered at the Land Registry as Lot No. 145 in Demarcation District No. 346;

“Siu Ho Wan Depot Site (Phase 4)” means a new lot to be known and registered at the Land Registry as Lot No. 146 in Demarcation District No. 346; and

“Surrendered Lots” means Lot No. 143 in Demarcation District No. 346 and Portions of the Remaining Portion of Mass Transit Railway Lot No. 2 and have a total site area of approximately 30 hectares.

By Order of the Board
Gillian Elizabeth Meller
Company Secretary

Hong Kong, 23 September 2022

As at the date of this announcement:

Members of the Board: Dr Rex Auyeung Pak-kuen (Chairman)**, Dr Jacob Kam Chak-pui (Chief Executive Officer), Andrew Clifford Winawer Brandler*, Dr Bunny Chan Chung-bun*, Walter Chan Kar-lok*, Dr Pamela Chan Wong Shui*, Dr Dorothy Chan Yuen Tak-fai*, Cheng Yan-kee*, Hui Siu-wai*, Sunny Lee Wai-kwong*, Dr Rose Lee Wai-mun*, Jimmy Ng Wing-ka*, Carlson Tong*, Adrian Wong Koon-man*, Johannes Zhou Yuan*, Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury)**, Secretary for Transport and Logistics (Lam Sai-hung)**, Permanent Secretary for Development (Works) (Ricky Lau Chun-kit)** and Commissioner for Transport (Rosanna Law Shuk-pui)**

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

* *independent non-executive Director*

** *non-executive Director*

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