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MTR CORPORATION LIMITED

香港鐵路有限公司

(the "Company")

(Incorporated in Hong Kong with limited liability)

(Stock Code: 66)

INSIDE INFORMATION EXECUTION OF HUNG SHUI KIU PROJECT AGREEMENT FOR HUNG SHUI KIU STATION

On 19 September 2024, the Company entered into the project agreement with the Secretary for Transport and Logistics for and on behalf of the Government for the financing, design, construction, completion, pre-operation, operation and maintenance of the HSK Station. Further details 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

In May 2020, the Company submitted to the Government a proposal for the HSK Project. The proposal was subsequently supplemented with updates in May 2021. On 18 May 2021, the Chief Executive in Council approved proceeding with the detailed planning of the HSK Station. The Company commenced public consultation and preliminary design for the HSK Station in June 2021 and October 2021 respectively. The railway scheme of the HSK Station was gazetted under the Railways Ordinance on 24 February 2023 and was authorised under the Railways Ordinance on 26 March 2024.

The Company expects to commence construction in December 2024 for expected completion of the HSK Station in December 2030.

THE HUNG SHUI KIU PROJECT AGREEMENT

On 19 September 2024, 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, completion, pre-operation, operation and maintenance of the HSK Station, and

related services and facilities, which will be owned, operated and maintained by the Company for its own account for the Franchise Period (the “**HSK Project Agreement**”).

The HSK Project Agreement contains the following principal terms:

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 HSK Works and the RRIW and shall bring into operation, operate and maintain the HSK Works. The design, construction, completion, testing, commissioning, pre-operation, operation and maintenance of the HSK Works shall be in a manner which reflects the Company’s responsibilities and duties under the MTR Ordinance, the Operating Agreement and the HSK Project Agreement and in accordance with all applicable laws and regulations.

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

The Company shall carry out the HSK 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 new railway lines of the type and scope of the HSK Project.

The Company shall on its own pay for the full amount of the HSK Cost and shall bear land acquisition costs arising from the implementation of the HSK Project as agreed in the HSK Project Agreement. The Company expects to incur the HSK Cost over a period of around 10 years and to fund such costs from the financial contribution from the proposed property developments described below and its internal resources.

The Company shall use its reasonable endeavours to complete the HSK Works and the RRIW so as to enable Commercial Operations of the HSK Station to commence by the Scheduled Operating Date. In the event that Commercial Operations of the HSK Station 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 shall, at its own cost, carry out the measures specified in the environmental review report and relevant environmental permits issued or to be issued by the Government.

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

The Government’s principal obligations

The Government shall, amongst other things:

- (i) 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 HSK Project Agreement;
- (ii) use reasonable endeavours to make land available to the Company for the timely implementation of the HSK Project;

- (iii) grant to the Company a running line lease which is required for the purposes of the operation and maintenance of the HSK Station;
- (iv) permit the Company to sublet or part with possession of, or carry out trades or activities, at the HSK Station; and
- (v) permit the Company to undertake commercial and residential property development at the HSK Proposed Development Sites for the purpose of bridging the funding gap of the HSK Project, as described in more detail below.

The HSK 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 HSK Station as are compatible with the MTR Ordinance, the Operating Agreement and the HSK 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 HSK Project and adopting collaborative working behaviours.

HSK Project in the context of the Company's rail-plus-property model

Background

As disclosed in the Merger Circular, in the Operating Agreement, subject to the MTR Ordinance, it has been acknowledged that, when undertaking new projects and/or operating new railways, the Company will require an appropriate commercial rate of return.

In the Operating Agreement, the Government acknowledges that property development has been, and is expected to continue to be, important for the commercial viability of new projects as well as for operational and technical reasons. The Operating Agreement also provides that, for any new project to be implemented by the Company, the Government and the Company will agree the detailed terms relating to what property development rights (if any) should be provided to the Company.

As explained in the Merger Circular, property development is a significant part of the Company's business, providing an important source of income that has supported the cost of construction of railway projects as well as contributing to future rail patronage from the immediate catchment areas created by such property developments.

The Company's practice in property development has been to arrange for various third-party developers to carry out the actual development works according to the Company's tender documents. Typically, the developers are responsible for development costs (including all or part of the Government land premium, construction and enabling work costs, marketing and sales expenses, professional fees, finance charges and other expenses) and have to bear

development risks. The Company derives benefit from the property developments through the sharing of profits with developers in agreed proportions from the sale or lease of the properties after deducting the development costs and/or through lump sum payments from the developers.

HSK Proposed Development Sites

The HSK Proposed Development Sites are approximately 8.2 hectares for which the proposed uses are residential and commercial.

The HSK Proposed Development Sites have been identified and the Company shall be permitted to undertake property development thereat to contribute to the financial return of the HSK Project so that the Company can achieve an appropriate commercial rate of return on the HSK Project.

Subject to the approval of the Chief Executive in Council and, where applicable, the Town Planning Board, the Company shall be permitted to undertake commercial and residential property development at the HSK Proposed Development Sites. Subject as aforesaid, such development rights to be undertaken by the Company shall be granted by one or more private treaties, subject to conditions, including:

- (i) that the development shall be discussed between the parties and shall be in such form as may be prescribed by the Government and, where appropriate, the Town Planning Board;
- (ii) the Company shall pay land premium to the Government to be assessed as described below; and
- (iii) any other terms and conditions as the Government may impose.

Land Premium Arrangements for the HSK Proposed Development Sites

Pursuant to the current Operating Agreement, for property development rights in relation to a new project to be undertaken by the Company, the Government agrees that, for so long as its current land policy is maintained, land premium payable by the Company for such new project will be assessed on a "full market value" basis taking full account of the presence of the railway, subject to an amount being deducted either: (i) as deductible costs in order to arrive at the land premium; or (ii) after the assessment of the aforesaid land premium has been completed in order to arrive at the amount actually payable by the Company, having regard to the acknowledgements in the Operating Agreement that the Company will require an appropriate commercial rate of return when undertaking new projects and/or operating new railways, unless both parties agree to adopt another method to arrive at the land premium payable by the Company.

Consistent with the methodology referred to in (ii) of the paragraph immediately above, the total amount of land premium payable by the Company in respect of the entire HSK Proposed Development Sites shall be assessed by the Government as the full market value of the sites (taking into account the presence of the railway) less the Reduction Amount. The HSK Proposed Development Sites will be developed in portions and the land premium assessment for each portion will be carried out, at the time of the relevant tender, with a specified tranche of the Reduction Amount being deducted. The Reduction Amount will not be adjusted in the future notwithstanding any fluctuations in land values.

The amount of financial contribution from the development of the HSK Proposed Development Sites will depend on a number of factors including: (1) the condition of the property market in

the future; (2) the future cost of such property developments, including Government land premium, construction costs, marketing and sales expenses, finance charges and other expenses; and (3) the actual gross floor area of the relevant developments. **There is no guarantee as to the amount of financial contribution from such property developments, nor that any such contributions, in combination with profits from the rail and related operations of the HSK Station will result in the Company achieving a commercial rate of return on the HSK Project.**

REASONS FOR, AND BENEFITS OF, THE HSK PROJECT AGREEMENT

Consistent with, and to further develop, its principal business activities (as described below), the Company has entered into the HSK Project Agreement which will enable the Company to expand its railway network through the implementation of the HSK Station and to preserve the rail-plus-property model, on the basis described above, by carrying out property development with a view to supplementing the return on the HSK Project (as well as contributing to future rail patronage from the immediate catchment areas created by such property developments) in order to be able to achieve an appropriate commercial rate of return on the HSK Project.

In considering the HSK Project Agreement, 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 HSK Project is in the ordinary and usual course of business of the Company and that the HSK Project Agreement is (i) on normal commercial terms; and (ii) 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, Macau, 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 portion of the meeting of the Board at which the HSK Project Agreement was discussed and did not take part in the discussions of the Board when the HSK Project Agreement was approved.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	means the board of directors of the Company;
“Commercial Operations”	means the operation of railway services on HSK Station on a revenue earning basis by providing scheduled transport to the public;
“Director”	means a member of the Board;
“Franchise Period”	has the meaning ascribed to that term in the MTR Ordinance;
“Government”	means the Government of Hong Kong;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“HSK Cost”	means all amounts payable for the HSK Works. The HSK Cost is estimated to be around HK\$7 billion (2024 price);
“HSK Project”	means the HSK Works and the RRIW;
“HSK Project Agreement”	has the meaning ascribed to it in the section of this announcement headed “THE HUNG SHUI KIU PROJECT AGREEMENT”;
“HSK Proposed Development Sites”	means the land at Planning Area 28A and Planning Area 28B zoned “Other Specified Uses” annotated “Mixed Use” in the Approved Hung Shui Kiu and Ha Tsuen Outline Zoning Plan No. S/HSK/2 (as amended from time to time);
“HSK Station”	means the new railway station proposed to be constructed between Tin Shui Wai Station and Siu Hong Station on the existing Tuen Ma Line;
“HSK Works”	means all works described as such under the HSK Project Agreement that are necessary for the construction of the HSK Station;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Merger Circular”	means the circular issued by the Company dated 3 September 2007;
“MTR Ordinance”	means the Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong);

“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 and as amended from time to time;
“Railways Ordinance”	means the Railways Ordinance (Chapter 519 of the Laws of Hong Kong);
“Reduction Amount”	means a total fixed amount of HK\$9,850 million, which is divided into specific tranches, for each portion of each of the HSK Proposed Development Sites;
“RRIW”	means all works which are described as such under the HSK Project Agreement which include the reprovisioning, remedial and improvement works that constitute the replacement, modification or improvement of existing privately owned facilities or facilities owned by the Government or public bodies necessary for and/or required as a consequence of the construction of the HSK Works. Following completion of the RRIW, they shall be handed over to, owned, managed, maintained and controlled by such private owner, the Government or public bodies; and
“Scheduled Operating Date”	means the date on which Commercial Operations is scheduled to commence.

By Order of the Board
Gillian Elizabeth Meller
Company Secretary

Hong Kong, 19 September 2024

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*, Cheng Yan-kee*, Hui Siu-wai*, Ayesha Macpherson Lau*, Sunny Lee Wai-kwong*, Jimmy Ng Wing-ka*, Dr Carlson Tong*, Sandy Wong Hang-ye*, Adrian Wong Koon-man*, Professor Anna Wong Wai-kwan*, 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 (Angela Lee Chung-yan)**

Members of the Executive Directorate: Dr Jacob Kam Chak-pui, Jeny Yeung Mei-chun, Margaret Cheng Wai-ching, Linda Choy Siu-min, Carl Michael Devlin, Michael George Fitzgerald, Dr Tony Lee Kar-yun, Gillian Elizabeth Meller, David Tang Chi-fai and Sammy Wong Kwan-wai

* *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.