MTR Corporation Limited

Minutes of the Extraordinary General Meeting (the "Meeting") of MTR Corporation Limited (the "Company") held at Rotunda 3 (6/F), Hongkong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 9 October 2007 at 11:00 a.m.

Present	(Shareholders list had been prepared by Computershare Hong Kong Investor Services Limited)
Apologies	Apologies were received from Professor Chan Ka-keung, Ceajer, Ms Eva Cheng and Mr. Alan Wong Chi-kong
In attendance	Mr. Andrew Weir (representative of KPMG – the Reporting Accountant), Mrs. Ellen Ng (representative of Computershare Hong Kong Investor Services Limited – Company Registrar), Mr. Richard Thornhill, Mr. Jason Webber and Miss Lisa Chung (representatives of Slaughter & May – Company Solicitors), Miss Kalpana Desai (representative of Merrill Lynch (Asia Pacific) Limited – Independent Financial Adviser) and Mr. C.K. Lau (representative of Jones Lang LaSalle Limited – Independent Property Valuer)
Facilitator	Mrs. Miranda Leung welcomed everyone to the Meeting. She informed that (i) the Meeting would be conducted in English with simultaneous Chinese translation throughout the Meeting; (ii) the poll vote procedure would be conducted in Chinese and there would be English translation for that part of the Meeting; (iii) only Shareholders, representatives of corporate Shareholders and proxies would be invited to ask questions at the Meeting; (iv) they should move to a designated microphone position such that they could be seen and heard; and (v) the Chairman would answer questions in the language in which they were asked, and

that translations of both the questions and answers would be provided by the interpreter. In order to give each Shareholder the opportunity to speak, they had been requested to only ask two questions in the first place. She then introduced the Chairman.

Chairman Opening Remarks

The Chairman said he had invited the Company's advisers and others to attend the Meeting in accordance with Article 61 of the Company's Articles of Association (the "Articles"). He said invitation had also been extended by him to representatives of Merrill Lynch (Asia Pacific) Limited ("Merrill Lynch") (the Independent Financial Adviser), KPMG (the Reporting Accountant) and Jones Lang LaSalle Limited (the Independent Property Valuer) who were all here today.

In addition, the Chairman said members of the Independent Board Committee: Mr. Edward Ho Sing-tin, Professor Cheung Yau-kai, Mr. David Gordon Eldon, Ms. Christine Fang Meng-sang, Mr. Lo Chung-hing and Mr. T. Brian Stevenson, had also joined the Meeting.

Notice

The Chairman proposed and with permission of the Shareholders present at the Meeting, the notice (the "Notice") convening the Meeting, which had been distributed to all Shareholders in September 2007 together with a Circular (the "Circular") describing the proposed Rail Merger with Kowloon-Canton Railway Corporation ("KCRC") (the "Merger"), was taken as read.

Chairman's Statement

The Chairman reminded Shareholders that the Meeting was convened for the purpose of considering one resolution already set out in the Notice, the passing of which would require approval of a simple majority of the Shareholders present and voting, either in person or by proxy.

The Chairman then shared his thoughts on the Merger with the Shareholders. He said the Merger was a balanced deal that would benefit all the Company's stakeholders including, importantly, the Shareholders. In elaborating this, he highlighted the benefits of the Merger as follows:

1. The Merger had significant strategic benefit for the Company's rail and rail related businesses. It would (i) bring about a significant increase in patronage and market share as well as a 132% increase in the Company's route network, (ii) allow the Company to capture future growth opportunities from expansion of the system, particularly, in the New Territories, and (iii) also bring about a Fare Adjustment Mechanism (the "FAM") which in the Board's views would bring predictability, objectivity and certainty to the future fare setting, particularly, with the "direct-drive" element of the mechanism.

2. The Company's property business would be greatly enhanced by the Merger. The Company's development land bank would increase by 54% to 35.8 million sq. ft. while the rental properties would increase by 22% to 4.4 million sq. ft. He said a recent valuation of the development rights and investment properties to be acquired as part of the Merger, indicated an increase in value by 47% (or over $2.3 billion) and 18% (or over $500 million) respectively. Furthermore, the Company would act as development agent for property developments along West Rail where the Company would, not only recover cost, but also collect incentive fees on 24.3 million sq. ft. of such development.

3. The structure of the rail component of the Merger was attractive. The Service Concession arrangement gave the Company the operational right and cash profits of the KCRC System without assuming KCRC's debts nor paying a significant

upfront payment. Furthermore, the variable component of the annual payment would provide the Company some protection against potential adverse financial performance of the KCRC System. The structure would allow the Company to maintain a strong credit profile resulting in its credit ratings being affirmed by Rating and Investment Inc. and Standard & Poor's, and upgraded by Moody's to Aa2.

4. The Merger would be both earnings and cashflow accretive for the Company as well as enhancing the value of the Company.

The Chairman reminded Shareholders to make their own decision regarding the Merger. He said the letters of advice from the Independent Board Committee ("IBC") (comprising six Independent Non-Executive Directors of the Company), and Merrill Lynch, the Independent Financial Adviser ("IFA") respectively were set out in the Circular.

The Chairman further said both the IBC and the IFA considered the terms of the Merger to be fair and reasonable and in the interests of the Company and its Shareholders, and recommended the Shareholders to vote in favour of the Merger Resolution (the "Resolution").

The Chairman went on to advise that if independent Shareholders approved the Merger in the Meeting, the Merger would become effective on a date, the Appointed Day to be stipulated by the Government in a Commencement Notice. Such Appointed Day could be before the end of 2007.

Voting Procedures

The Chairman started the formal business by stating the categories of persons who were entitled to demand a poll in accordance with Article 67 of the Articles, on the Resolution to be proposed at the Meeting.

The Chairman then exercised his right as the Chairman of the Meeting under Article 67 to call a poll on the Resolution.

The Chairman advised that the poll would be conducted immediately before conclusion of the Meeting, and Computershare Hong Kong Investor Services Limited ("Computershare") had been appointed as the scrutineers to count and certify poll results. He said results of the poll was expected to be posted on the websites of the Hong Kong Exchanges and Clearing Limited and the Company in the same evening of the Meeting, and that notification of the results would also be published in South China Morning Post and the Hong Kong Economic Times on the following day.

The Chairman then invited questions about the Merger or the Resolution from Shareholders.

Mr. David Webb, a Shareholder and proxy, said the voluntary disclosure by the Financial Secretary and Exchange Fund only indicated their 77.61% interests in the Company. He said other Government entities, e.g. the Housing Authority, the subsidised schools, the Mandatory Provident Fund Schemes Authority etc. must have held shares in the Company as well but the Government did not consolidate such shareholdings for disclosure purposes, and continued to claim that it was exempt from the disclosure laws. He asked the Directors who represented the Government at the Meeting to tell Shareholders the shareholdings of Government entities and whether they would be abstaining from voting. He also asked Computershare to record the abstentions of such Government entities and not just those who would vote in favour or against the Resolution.

In reply to the question on Government's associates, Mr. Leonard Turk, Legal Director & Secretary, said the Company could not speak for the Government but would state what the Company had done. He said the Company was aware of the considerable interest in the issue and had taken its obligations under the Listing Rules very seriously. He said the Company had discussed detailed arrangements for the voting at the Meeting with the Hong Kong Stock Exchange. In respect of the definition of "associates" under the Listing Rules, strictly speaking, it did not catch Government controlled entities because the Government was neither an individual nor a company. However and regardless of that, the Company had gone beyond the requirements of the Listing Rules (and, he was informed, further than was the normal market practice) and had taken the following actions:

(i) Instructed the Government not to vote its direct shareholding in the Company;

(ii) Reminded the Government that all its associates should be required to abstain from voting;

(iii) Instructed Computershare not to count any votes of any Government's associates if they did vote;

(iv) Wrote to Central Clearing and Settlement System (the "CCASS") to inform them of the same; and

(v) The Company also manually checked the Register of Members to see if there were any names which appeared on the Register which should not be counted in the Company's view.

In addition to the above steps taken by the Company, Mr. Turk said the Government had informed the Company that it had:

(i) Instructed each Government bureau or department that any Government's associates must abstain from voting on the Resolution and asked for confirmation from those associates that they would not in fact vote on the Resolution;

(ii) Advised any Government bureau or department who had an associate to take their own legal advice on whether or not they had direct or indirect interests in the Company or were in fact controlled by the Government; and

(iii) Advised all Government entities to abstain from voting on the Resolution if they had any doubt.

Mr. Turk further said all these correspondences had also been shown to the Hong Kong Stock Exchange as requested by them. As far as the Company was concerned, he said the Company had gone up to and beyond the Listing Rules requirements and general practice in relation to this issue. In addition, he said the poll result announcement would indicate the number of votes which were not being cast because of connection with the Government.

Mr. Webb said Mr. Turk had not told him the shareholdings of Government's associates, or which entities the Government considered to be its associates. He opined that the Company's Share Registrar and Register of Shareholders would not tell him anything about this because like possibly Housing Authority, they held shares through custodians who held shares through CCASS, and CCASS held shares on the Register. As a result, the Company could not tell which shares were being voted by Government's associates or not and which shares were abstaining.

Given that the share price of the Company had increased by 35% compared to a 16% increase in the Hang Seng Index since the Circular was despatched on 3 September 2007, Mr. Webb suspected Government's associates might have bought shares to support the Government. He said Government appointed Directors should have attended the Meeting to answer his question on ownership of shares by the Government. Mr. Webb said the Company could start a search on the ownership of its shares as of 8 October 2007 under

Section 329 of the Securities and Futures Ordinance and publish the results after the search was complete so that Shareholders would know who held those shares.

Mr. Webb then quoted previous statements made by the Chairman and Professor K.C. Chan about the importance of fare autonomy. Given that, he wondered why Directors were proposing to give up fare autonomy cut fares and freeze fares. He also opined that the FAM as stated in the Circular would not allow the Company to recover the lost profit margin and get back to the inflation adjusted fares.

The Chairman thanked Mr. Webb for his question and reminded him that the Merger was a balanced deal that not only benefited Shareholders but also all the Company's stakeholders. The IFA had demonstrated that the package was indeed cashflow accretive, earnings accretive and value enhancing. He then invited the Company's Finance Director to elaborate on the FAM.

Mr. Lincoln Leong, Finance Director, said as highlighted in the Circular, the Company's view of the FAM was predictability, objectivity and transparency, and importantly, it was a direct-drive automatic application formula. Moreover, and as advised by the IFA in the Circular, if the FAM had had in place from 1983, the current fare would have been higher.

Mr. K.C. Ng, an independent Shareholder, said both the IFA Letter and the Letter from the IBC in the Circular had not provided detailed calculation to substantiate how the HK$450 million synergies would be achieved by the Company.

In reply, Mr. Lincoln Leong, Finance Director, said the Company would take the first 3 years after the Merger to create estimated annual synergies of up to HK$450 million, and that the synergies were expected to come from 3 major areas, namely, (i) transfer of best practices and operational efficiencies, (ii) procurement synergies, and (iii) streamlining of overlapping activities and reduction of overheads.

Mr. Ng said the above information had been disclosed in the Circular. He requested the Company to provide more specific information as to where and how the synergies would be achieved.

Mr. Lincoln Leong, Finance Director, advised that it might not be appropriate to disclose such information in detail due to commercial sensitivity. However, he said the Company, in conjunction with KCRC, had over the past 18 months reviewed many areas on synergies and was confident that such synergies could be achieved.

Mr. Ng further enquired about the development plan for Hung Hom Station and its land value. In response, Mr. Thomas Ho, Property Director, said the property package under the Merger had included acquisition of 8 pieces of property but Hung Hom Station was not one of them.

Mr. Ting Chi Kin, a Shareholder, asked when would fare reduction become effective, and whether the current $2 discount by MTR Fare Savers and Green Minibus Intermodel Fare Discount would continue after the Merger.

Mr. C.K. Chow, Chief Executive Officer, said as mentioned by the Chairman previously, if independent Shareholders approved the Merger at this Meeting, the Merger would become effective on a date, the Appointed Date to be stipulated by Government in a Commencement Notice. Starting from the Appointed Day, Mr. Chow said the fare reduction would become effective. He said the Company would use its endeavours to effect the Merger by the end of year 2007 but decision would rest on the Government. Regarding the current fare concessions, such as those mentioned by Mr. Ting, Mr. Chow said the Company offered fare concession from time to time, and would continue such practice after the Merger.

A Shareholder who had not identified herself said West Rail currently offered $2 concession fare to elderly for Saturdays and Sundays. She then asked the Company to extend such offer to MTR Lines after the Merger. Furthermore, she said the promotion period for Shareholders to use the Airport Express at a 34% discount was too short.

The Chairman thanked the Shareholder for her comment. In addition, Mr. Chow, Chief Executive Officer, advised that after the Merger, MTR would offer $2 concession fare to elderly on Saturdays and Sundays for a period of one year.

Mr. Leung, a Shareholder, was concerned that the Company's cash flow would be affected as a result of the fare freeze in the next 2 years. He said he doubted that property market would continue to rise, bearing in mind that the property package acquired by the Company from KCRC did not belong to the higher end category. As a Shareholder, he said that he expected the Company to make reasonable profits for supporting a reasonable increase in share price and dividend payment.

Mr. Leong, Finance Director, replied that as mentioned in the Circular for the Merger, the Merger would, among other things, improve both the Company's earnings and cash flow. He added that the Board of the Company would review future dividend payout in the light of the above.

Ms. Lau Choi Hung, a proxy and a staff union representative, said she noted that in order to achieve the synergies, around 650 staff would be made redundant. She asked whether the Company would, after the Merger, continue to cut number of staff and their salary in order to save overhead.

Mr. William Chan, Human Resources Director, replied that the Company had been maintaining regular communication with staff and the staff unions that notwithstanding around 650 posts might be affected, nevertheless, as there would be more than 1,300 new positions [in the first three years] after the Merger, he was confident in the staff redeployment arrangement. He said the Company had advised all current staff that their existing salary and cash allowance would not be affected. Moreover, non-managerial staff had been informed that both their salary and grading would remain unchanged. As such, staff should not be concerned over salary cut in future.

Mr. Kwan, an independent Shareholder, said he wished that the share price of the Company would rise after the Merger. He said Shareholders and many Hong Kong residents might also like the Company to find way(s) for offering fare reduction or fare concession. He went on to enquire whether the Company had any long-term development plan after the Merger.

In answer to that, Mr. Chow, Chief Executive Officer, said apart from the property developments and additional patronage & income arising from KCRC Lines which, after the Merger, would become the Company's, there might be more opportunities for new rail developments in Hong Kong and these included West Island Line (the "WIL"), South Island Line (East) (the "SIL") and Shatin to Central Link (the "SCL"). Moreover, he said the Government had mentioned about possibility of Guangzhou-Shenzhen-Hong Kong Express Rail Link construction. He therefore was optimistic about future railway development in the coming few years.

Mr. Kwan said that he would vote "For" the Resolution and hoped the Company would implement the fare reduction as soon as possible.

The Chairman thanked Mr. Kwan for his support of the Resolution. He said the fare reduction, as mentioned by Mr. Chow before, would be implemented on the effective day of the Merger.

Mr. Leung, a Shareholder and a proxy, said he supported the Merger, and requested the Company to liaise with the Government to speed up planning and construction of the SCL.

Mr. Chow, Chief Executive Officer, thanked Mr. Leung for his suggestion. He added that the Company had discussed the SCL Project with the Government for a number of years. He said it was also the Company's objective to obtain Government's early approval to proceed with the Project.

Mr. Poon, a proxy, said the Circular for the Merger had not mentioned the consequence of the Resolution being voted down. He was concerned that the SCL would affect the Company's patronage if the Merger would not get through and this was on the assumption that the SCL would be operated by KCRC. He then asked whether the Company was aware of other risk factors.

Further to that, Mr. Poon asked (i) what would be the impact of Merger on the Company's earnings per share; (ii) whether the Company could financially manage new projects e.g. WIL, SIL, on the assumption that borrowing would be needed; (iii) the amount of annual payment to KCRC after the Merger, and (iv) estimated earnings for 2008.

The Chairman thanked Mr. Poon for his questions. In respect of the SCL, he said Mr. Poon's view was based on an assumption. Regarding Mr. Poon's other questions, the Chairman said they were quite complicated and suggested Mr. Poon made reference to relevant analysts' reports. He then invited Mr. Leong, Finance Director to supplement, if any.

Mr. Leong thanked Mr. Poon for his questions. He reminded Mr. Poon about the restriction on forecast projections by the Stock Exchange. Based on the 2006 numbers and as disclosed in the Circular, he said the Merger would bring significant accretion in earnings, earnings per share and cashflow to the Company. Regarding gearing, he advised that three sizable credit rating agencies, namely, Standard & Poor's, Moody's and Rating and Investment Inc., considered that the Company's credit profile to be strong, and Moody's had even upgraded the Company's credit rating to Aa2. Mr. Leong further recalled that the Company's gearing ratio had exceeded 50% in 2002 and 2003. With increased cashflow after the Merger, he was of the view that the Company would be able to pay down its debt quite quickly.

Mr. Wong, a Shareholder, said he noted Institutional Shareholder Services ("ISS") had issued a report recommending Shareholders to vote against the Resolution. He then asked the benefit of the Company giving up fare autonomy, to Shareholders.

The Chairman said the IFA had clearly stated in their report that should the FAM have been adopted on a retrospective basis 24 years ago, the FAM would have led to a higher fare level than the current fare. In addition, he reminded that the FAM was an automatic fare adjustment mechanism. Regarding the ISS report, the Chairman said everyone had his/her own view and Shareholders should make their own decision. In his own capacity and as the Chairman of the Company, he would recommend a "For" to the Resolution.

Mr. Au, a Shareholder, said he noted that the share price of the Company had almost tripled since its IPO in year 2000. He asked the Chairman whether he had confident in the share price moving up three times more than it was now after the Merger. Mr. Au further asked whether student fare concession would continue after the Merger.

The Chairman said he would not know future share price of the Company. However and personally, the Chairman said he was confident in the future performance of the Company. He then invited Mr. Chow, Chief Executive Officer, to speak on the student fare concession arrangement.

Mr. Chow said eligible students would continue to enjoy a 50% discount on their rides of MTR Lines but not KCRC Lines, after the Merger.

Mr. Leung, an independent Shareholder, said the Company was not a charitable organization. He was of the view that giving up of the fare autonomy would lead to imbalance in costs and revenue, and also affect the efficiency of the Company.

The Chairman thanked Mr. Leung for his comments.

Mr. Webb said some statements in the Circular were misleading. To elaborate that, he said (i) the transaction was not a merger of corporations because KCRC would continue to exist for the next 50 years etc; (ii) the number of new jobs to be created in the next three years should be lower than 1,300 because this had included retirement and staff turnover; and (iii) the earnings had excluded the impacts of the FAM, the fare cuts, the 2-year fare freeze, and increase in costs base due to inflation. Moreover and on payments obligation to KCRC, he said there was a 3 year holiday on the variable annual payments to them. He opined that as the KCRC already depended heavily on the cross-border business, and if such service was being taken away the railway operations remaining with only domestic commuter activities, would be loss making in view of the payment obligations to KCRC in the future.

Mr. Webb said Merrill Lynch's Letter which, for example, had assumed that 1997-2006 was representative of long term future profitability of the KCRC System and could be used in the analysis. He disagreed to that for the reasons stated above and considered it to be unreasonable. He urged Shareholders to take into account the above factors.

Regarding dividends, Mr. Webb said the dividend payments had not increased since the IPO in year 2000. He said the dividend payments were only sustainable in past years because the Government had kept waiving cash dividend and receiving cash dividend instead. The actual payout of the declared dividends in cash was only about half of the declared dividends. He opined therefore, that future dividend payments would be under threat because of the payment obligations to KCRC and finance costs for new railway projects, e.g. WIL, SIL and SCL. According to Merrill Lynch, he said the Company would have to spend $1.35 billion to achieve the synergies and redundancy payments in order to obtain the $450 million synergies per year. As the Company had to give away $600 million of fare cuts, he said this would be down by $150 million already, bearing in mind the $1.35 billion spending, the proposal would, therefore, set a time bomb on the Company's cash flow. He urged Shareholders to disregard the claims about cash flow and earning enhancements as they were not true in his view.

The Chairman thanked Mr. Webb for his comments. He said the share price of the Company had outperformed Hang Seng Index since its IPO by close to 100%. If investors collectively were unwise as Mr. Webb had implied, he said, the Company would not have achieved that performance. He then invited Merrill Lynch and Mr. Leong, Finance Director, to address some of Mr. Webb's questions.

Miss Kalpana Desai of Merrill Lynch said as stated in their Letter, the Merger should be viewed in its entirety as a package deal rather than examining individual components of the transaction. She said the Merger was overall net present value accretive even under extremely conservative scenarios, taking into account of the one-off fare reduction, 2-year fare freeze and excluding synergies. She said they believed that the transaction was overall value accretive and was favourable to Shareholders and therefore the Shareholders should support.

With respect to Mr. Webb's comment on the EDITDA margin, Miss Desai stated that they had not taken the Management's words for it but made their independent analysis of what would be a reasonable forecast for the KCRC System EBITDA margin over the Concession Period. She opined that whilst future might not be representive of history, history was a good indication particularly when taking into account the length of the period. From years 1997 to 2006, she reminded that Hong Kong had experienced an unprecedented deflationary period. She said they had adjusted the KCRC System EBITDA margin to take account of the fare reduction and the fare freeze. Hence, the margin was 42% as stated in their Letter.

Mr. Leong, Finance Director, added that he disagreed with Mr. Webb's analysis. Secondly, he said there were quite a few research reports issued in the last month or so, by analysts who knew the Company, the business, and the Hong Kong environment well, and they were all positive on the Merger.

Ms. Lee, a Shareholder, asked (i) the locations of the eight property development sites to be acquired from KCRC and (ii) who (the Government or KCRC) had the ownership of Hung Hom Station.

Mr. Thomas Ho, Property Director, replied that the locations of the eight property development sites were at Ho Tung Lau, Wu Kai Sha, Tai Wai Depot, Che Kung Temple Station, Tai Wai Station, Sites C & D of

West Kowloon Station and Tin Shui Wai Station. In addition, certain investment property including shopping centre(s) would also be acquired from KCRC.

With respect to Hung Hom Station, Mr. Turk, Legal Director & Secretary, said it was part of the KCRC rail assets and its legal ownership would be retained by KCRC. However, the right of using the railway for 50 years would be passed to the Company. Hence, he said the effective use of them as railway premises (ie the whole of Hung Hom Station and the associated environment) would be maintained and operated by the Company.

Madam Suen, a Shareholder, said she would support the Merger because she had confidence in the Company's Management team. She then requested the Company to speed up discussion with the Government on the development of the SIL.

The Chairman thanked Madam Suen for her kind words and noted her concern over the SIL Project.

Mr. Leung, a Shareholder, said the Company should have provided information on how to go to the EGM Venue on its website; secondly, Shareholders' registration by the Registrar for this Meeting should be more efficient. In addition, he said he was concerned that if Ocean Park expansion plan had any shortcoming or if number of visitors stayed almost the same notwithstanding the expansion, the Company would be in trouble if the WIL Project had to be compatible with it.

The Chairman replied that Ocean Park was part of Hong Kong and was a factor that the Company would take into account in its railway extension plan. He said there were other key factors that made Management relatively more eager in considering the WIL Project.

Mr. Lai, a proxy, asked whether the Company would increase fare concession to the disabled group after the Merger.

The Chairman said as far as he was aware, the Government had recently announced that they would be actively considering to increase its assistance to the disabled group. He said the Company welcomed that and would use its endeavours to cooperate with the Government so that more disabled persons could travel on MTR.

Mr. Luk, an independent Shareholder, asked whether the Board of Directors would engage a financial adviser to conduct a study on whether the Government should privatize the Company before considering the Merger, as this might be more beneficial to the independent Shareholders.

The Chairman said the Government had made it clear that they would not consider privatizing the Company. The Board of the Company had discreetly reviewed the pros and cons of the Merger over the past 2 years in the hope of obtaining best interests for Shareholders. He reminded that the Merger Bill had gone through a number of debates at the Legislative Council. After taking into account all relevant factors, he said the Board considered that the Merger was a balanced deal and should be supported, and that both the short term and the long term benefits of Shareholders had been taken care of. Hence, he urged every independent Shareholder to consider discreetly how he/she should vote the Resolution.

Mr. Luk reminded independent Shareholders that the Chairman was appointed by the Government. He added that after the Merger, the Company would have to give up fare autonomy as well as some fare revenue, in return for the synergies which were vague to him.

The Chairman replied that he was appointed by the Government, however, he was not a member of the IBC. He then invited Mr. Edward Ho, Chairman of the IBC, to address this point.

Mr. Edward Ho said in order to protect the interests of independent Shareholders, the Board of the Company had established the IBC to consider whether the terms of the Merger were in the interests of the Company and Shareholders. For that purpose, he said the IBC had appointed Merrill Lynch as the IFA to review all financial data in detail including for example, implications of fare cuts and 2-year fare freeze, as well as possibility of achieving the synergies by the Company. As a result, the IFA recommended that the Merger was in the interests of the Company from both the perspective of value and cash flow of the Company. On this basis, he said Members of the IBC unanimously agreed to recommend the Merger to Shareholders.

A Shareholder who had not identified herself, suggested the following: (i) the Company should continue to expand its rail network development into the Mainland of China; (ii) administration charge for replacement of lost Octopus card was too high; and (iii) future dividends should be improved, and the directors’ fees should be reduced by 1%. She then enquired the progress of Ngong Ping 360 re-opening.

The Chairman said the Managing Director of Ngong Ping 360 was assigned by the Company from its management team, and he was a competent person. Regarding the first question, the Chairman said the Company had already been putting a lot of efforts on business developments in both the Mainland of China and overseas.

Mr. Chan, a Shareholder, commented that the salaries of KCRC’s managers was on the high side. He urged the Company to review their salaries after the Merger. He then requested the Company to consider provision of more facilities for easy access of the disabled passengers.

In reply, the Chairman said the Company's investment in improving access and facilities for the disabled was about $500 million and would continue to do so.

In addition, the Chairman said the KCRC team had a high level of professionalism, and there were many competent staff in the team. When the Merger was complete, he said it would become one Company one team. The Chairman hoped that all staff would use their best endeavours to contribute to the Company based on its good culture.

Madam Ng, a Shareholder, said as a Hong Kong resident, she hoped that the Company would reduce fare and offer fare concession to elderly and students. As a Shareholder, however, she preferred the Company to increase its earnings and pay more dividends to Shareholders etc. She said under the Merger, the Company had to give up fare autonomy and implement freeze fare, and yet property market might not be booming all the time. Against the background of inflation and high operating costs etc, she said the Company might have cash flow issue. She therefore was of the view that the Government should privatize the Company. Madam Ng further enquired the consideration for acquisition of the Ngong Ping 360 operating company, and the reason for signing a 20 year management contract with the ex-operator with no trial period included.

The Chairman replied that due to commercial confidentiality, the Company was unable to disclose the amount paid for the purchase of the operating company at this Meeting. He pointed out that listed companies had their own rules etc to follow, and that after consideration of all the pros and cons, it was the Board's view that the purchase was a suitable arrangement for the Company and the Shareholders.

He said Hong Kong residents would like the Ngong Ping Cable Car to be resumed quickly and that Ngong Ping management would ensure that future operation would be efficient and well managed.

Regarding the dilemma that Madam Ng mentioned, the Chairman said they were aware of that. He said the Merger package had to balance all relevant parties' interest, and the Board had confidence that Shareholders would benefit from the Merger.

Mr. Webb asked if all the 6 Independent non-executive Directors (the "INEDS") believed in the prospect under the Merger proposal, he wondered why only 2 INEDS owned shares in the Company.

Mr. Edward Ho, the Chairman of the IBC, said this was a personal question. He added that even though they were INEDs, INEDs should have their own choice of where and when to invest.

Mr. Cho, a Shareholder, said as a Shareholder, he would sell the shares should the Company not perform but as a passenger, he had to use MTR even when there was a fare increase. In a long run, therefore, and if there was a restriction in fare increment, it would be more beneficial to be a passenger than as a Shareholder. He then suggested putting the Resolution to vote as the Meeting had already convened for 2 hours.

A Shareholder who had not identified himself said notwithstanding the giving up of fare autonomy after the Merger, he was confident that the revenue loss would be compensated by an increase in patronage. He reminded the Company to get prepared for accommodating additional passengers. Regarding acquisition of the property development rights from KCRC, he urged the Company to take into account air quality in the course of development.

The Chairman thanked the Shareholder for his comments.

Mr. Fung, a Shareholder, asked whether the cross-boundary fare would be reduced after the Merger. The Chairman said this question was not that relevant to the Merger. Mr. Fung said Mr. Chow, Chief Executive Officer, mentioned earlier that fare concession would no longer be offered to students for KCRC Lines after the Merger. He considered that this might have misled independent Shareholders.

Mr. Chow, Chief Executive Officer, replied that the Company had not misled independent Shareholders because the Circular had clearly disclosed the fare reduction details. He explained that KCRC did not offer any concession fare to students even before the Merger. Mr. Fung then asked whether the Company had broken its promise. In response, Mr. Chow confirmed that there was no such case.

A Shareholder/proxy asked whether the Company's staff would be assigned to manage KCRC property above the Hung Hom Station, and whether the consideration for acquiring the Ngong Ping 360 operating company would be disclosed in the Company's account prepared for tax filing.

The Chairman replied that as a responsible management team, he believed that the Company would not offer free services. Secondly, and in respect of accounts preparation and annual report, he said the Company had maintained a high standard of transparency according to relevant rules etc.

Mr. Wong, a Shareholder, requested the Company not to continue with the Scrip Dividend Scheme, as the Government's election for scrip shares instead of cash dividend would dilute dividend payments to minority Shareholders. In reply, the Chairman said each year the

Board of Directors would discreetly consider what would be the best arrangement for the Company and Shareholders, in deciding dividend payment and whether or not scrip dividend would be offered.

The Chairman thanked Mr. Wong for his comments.

Ordinary Resolution	Having no further questions from Shareholders, the Chairman formally proposed the Resolution: "THAT for the purposes of implementing the Rail Merger, the Transaction Agreements be hereby approved, confirmed and (in respect of Transaction Agreements previously entered into by the Company) ratified; and that the Chief Executive Officer of the Company or any two members of the Board or two members of the Executive Directorate of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and deeds (and if necessary apply the common seal of the Company thereto) and take all steps which in his/her opinion may be necessary, desirable and expedient to implement and/or give effect to the terms of the Transaction Agreements and the Rail Merger Ordinance and the transactions contemplated thereunder."
Poll Voting	The Chairman then informed that the poll be conducted on the Resolution. He then invited Mrs. Ellen Ng of Computershare to explain the poll procedure and to conduct the poll.
Poll Results	The Chairman advised Shareholders that the results of the poll would be counted and certified by the scrutineers. He said it was expected that notification of the results would be published in the South China Morning Post and the Hong Kong Economic Times tomorrow, and that the results would be posted on Hong Kong Exchanges and Clearing Limited's and the

Company’s websites this evening.

Conclusion

There being no further business, the Chairman declared the Meeting closed at 1:25pm.

(Signed by Dr. Raymond Ch’ien)
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Chairman