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# MTR CORPORATION LIMITED (地鐵有限公司)

(the "Company")

(Incorporated in Hong Kong with limited liability)

## AGREEMENT IN PRINCIPLE (原則性協議) IN RELATION TO THE CONSTRUCTION AND OPERATION OF LINE 4 OF THE SHENZHEN METRO SYSTEM

The Company and the Shenzhen Municipal Government today entered into the Agreement in Principle (原則性協議) in relation to the construction of Phase 2 of Line 4 of the Shenzhen Metro System and the operation of Line 4.

The Agreement in Principle (原則性協議) sets out the principles upon which the Company and the Shenzhen Municipal Government will negotiate the Authorised Operating Agreement (授權經營協議) under which the Project Company to be established by the Company in the PRC will have the right to construct Phase 2 and operate Line 4. The main principles include the following:

- the Project Company will be granted the right to construct Phase 2 and operate Line 4 and will acquire the right to use the facilities of Phase 1. The right to operate Line 4 will be for a term of 30 years from the date of commencement of the operation of Line 4;
- the Company's construction of Phase 2 and operation of Line 4 will be a BOT (building-operation-transfer) project; and
- the Project Company will acquire land along Line 4 with an aggregate gross floor area of 2.9 million m<sup>2</sup> for the purposes of property development.

The terms of the Authorised Operating Agreement (授權經營協議) have not been agreed. The signing of the Authorised Operating Agreement (授權經營協議) will be subsequent to the NDRC's approval of the Feasibility Study Report.

**The transactions contemplated in the Agreement in Principle (原則性協議), including the signing of the Authorised Operating Agreement (授權經營協議), may or may not proceed. The Company will make further announcement(s) as and when required under the Listing Rules.**

This announcement is made pursuant to paragraph 2 of the Listing Agreement.

The Company refers to a press release dated 20th May, 2003 regarding a memorandum of cooperation with the Shenzhen Municipal Development Planning Bureau under which the Company will provide consultancy services with respect to the planning, implementation, construction, operation, financing and maintenance of new metro lines in Shenzhen. The Company and the Shenzhen Municipal Government today entered into the Agreement in Principle (原則性協議) in relation to the construction of Phase 2 of Line 4 of the Shenzhen Metro System and the operation of Line 4.

Line 4 is expected to be a 21 km long railway running from Huanggang (皇崗) to Longhua New Town (龍華新城中心) in Shenzhen. The Company understands that Phase 1 is currently under construction and that Shenzhen Metro will operate Phase 1 initially.

The Agreement in Principle (原則性協議) sets out the principles upon which the Company and the Shenzhen Municipal Government will negotiate the Authorised Operating Agreement (授權經營協議). The main principles are as follows:

- the Project Company will be granted the right to construct Phase 2 and operate Line 4 and will acquire the right to use the facilities of Phase 1. The right to operate Line 4 will be for a term of 30 years from the date of commencement of the operation of Line 4. The operation of Line 4 is initially expected to commence from the end of 2008;
- the Company's construction of Phase 2 and operation of Line 4 will be a BOT (building-operation-transfer) project;
- the Project Company will acquire land along Line 4 with an aggregate gross floor area of 2.9 million m<sup>2</sup> for the purposes of property development; and
- the total investment of the Project Company will be approximately RMB6 billion and its registered capital will be approximately RMB2.4 billion.

The terms of the Authorised Operating Agreement (授權經營協議) have not been agreed. The signing of the Authorised Operating Agreement (授權經營協議) will be subsequent to the NDRC's approval of the Feasibility Study Report.

The Company and the Shenzhen Municipal Government have agreed in the Agreement in Principle (原則性協議) that the Company will undertake the project design and the preliminary construction works of Phase 2.

**The transactions contemplated in the Agreement in Principle (原則性協議), including the signing of the Authorised Operating Agreement (授權經營協議), may or may not proceed. The Company will make further announcement(s) as and when required under the Listing Rules.**

This announcement is made pursuant to paragraph 2 of the Listing Agreement.

### DEFINITIONS

In this announcement:

"Agreement in Principle (原則性協議)"	means the agreement in principle in relation to the construction of Phase 2 and the operation of Line 4 entered into between the Company and the Shenzhen Municipal Government today;
"Authorised Operating Agreement (授權經營協議)"	means an agreement to be entered into between the Project Company and the Shenzhen Municipal Government under which the Project Company has the right to construct Phase 2 and operate Line 4;
"Feasibility Study Report"	means the feasibility study report in relation to Phase 2;
"Line 4"	means Line No.4 of the Shenzhen Metro System comprising Phase 1 and Phase 2;
"NDRC"	means the National Development and Reform Commission (國家發展和改革委員會) of the PRC;
"Phase 1"	means the part of Line 4 running from Huanggang (皇崗) to Shouniangong (少年宮);
"Phase 2"	means the part of Line 4 running from Shouniangong (少年宮) to Longhua New Town (龍華新城中心);
"PRC"	means the People's Republic of China;
"Project Company"	means a company to be established in the PRC for the purposes of the construction of Phase 2 and the operation of Line 4 pursuant to the Authorised Operating Agreement (授權經營協議);
"RMB"	means Renminbi, the lawful currency of the PRC;
"Shenzhen Metro"	means Shenzhen Metro Company Limited (深圳地鐵有限公司), a state-owned enterprise in the PRC;
"Shenzhen Metro System"	means the proposed metro system in Shenzhen; and
"Shenzhen Municipal Government"	means the Shenzhen Municipal People's Government (深圳市人民政府) of the PRC.

By Order of the Board  
Leonard Bryan Turk  
Company Secretary

Hong Kong, 15th January, 2004