

MTR CORPORATION LIMITED (地鐵有限公司)

(the “Company”)
(Incorporated in Hong Kong with limited liability)
(Stock code: 66)

POSSIBLE MERGER

Further to the Company’s announcement dated 24th February, 2004, the Company wishes to advise that the Government has requested the Company and KCRC, as part of the discussions about the possible merger between the Company and KCRC, to study how the Hong Kong section of the Express Rail Link (formerly known as the Regional Express Line) can be accommodated in the overall railway network in Hong Kong and to assess the impact of this on the business opportunities of the possible merged company. In response to this request, the Company and KCRC have requested an extension of the deadline for reporting the outcome of the merger discussions from 31st August, 2004 to 16th September, 2004. The Government has agreed to the extension of the deadline. Accordingly, the Company and KCRC will submit to the Government the merger report on 16th September, 2004. **There is no assurance that the merger discussions between the Company, KCRC and the Government will result in a merger.**

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

Further to the Company’s announcement dated 24th February, 2004, the Company wishes to advise that the Government of the Hong Kong Special Administrative Region (the “Government”) has requested the Company and Kowloon-Canton Railway Corporation (“KCRC”), as part of the discussions about the possible merger between the Company and KCRC, to study how the Hong Kong section of the Express Rail Link (formerly known as the Regional Express Line) can be accommodated in the overall railway network in Hong Kong and to assess the impact of this on the business opportunities of the possible merged company. In response to this request, the Company and KCRC have requested an extension of the deadline for reporting the outcome of the merger discussions from 31st August, 2004 to 16th September, 2004. The Government has agreed to the extension of the deadline. Accordingly, the Company and KCRC will submit to the Government the merger report on 16th September, 2004.

The Company has stated previously that if the merger is implemented on acceptable terms, it would be beneficial to all stakeholders as it would provide an integrated regional and urban rail network for the people of Hong Kong with greater efficiency, increased convenience and enhanced connectivity and provide room for fare adjustments.

As stated in the Company’s announcement dated 24th February, 2004, any transaction involving the Government will be treated as a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and may also be treated as a transaction subject to Chapter 14 of the Listing Rules. As a connected transaction, any merger between the Company and KCRC will be subject to the approval of independent shareholders.

The Company further notes that the form of any potential merger has not yet been agreed or decided. **There is no assurance that the merger discussions between the Company, KCRC and Government will result in a merger. The share price of the Company may be subject to fluctuations in the interim. Investors should exercise caution in their dealings of the shares in the Company.**

For the avoidance of doubt, this announcement is not an announcement of a proposed or possible offer for the shares in the Company within the meaning of the Code on Takeovers and Mergers.

By Order of the Board
Leonard Bryan Turk
Company Secretary

Hong Kong, 20th August, 2004

Members of the Board: Dr. Raymond Ch’ien Kuo-fung (*Chairman*)**, Chow Chung-kong (*Chief Executive Officer*), Professor Cheung Yau-kai*, David Gordon Eldon*, T. Brian Stevenson*, Edward Ho Sing-tin*, Lo Chung-hing*, Christine Fang Meng-sang*, Frederick Ma Si-hang (*Secretary for Financial Services and the Treasury*)**, Secretary for the Environment, Transport and Works (Dr. Sarah Liao Sau-tung)** and Commissioner for Transport (Robert Charles Law Footman)**

Members of the Executive Directorate: Chow Chung-kong, Russell John Black, William Chan Fu-keung, Philip Gaffney, Thomas Ho Hang-kwong, Lincoln Leong Kwok-kuen and Leonard Bryan Turk

* *independent non-executive directors*

** *non-executive directors*