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MTR CORPORATION LIMITED

(地鐵有限公司)

(the "Company")

(Incorporated in Hong Kong with limited liability)

POSSIBLE MERGER

The Company notes the Government's announcement of its invitation to the Company and KCRC to commence discussions on the possible merger between the Company and KCRC with a view to concluding the discussions by 31st August, 2004. The Company will work closely with the Government and KCRC to bring the matter to a close as expeditiously as possible. The possible merger will be subject to the approval of independent shareholders. **However, there is no assurance that the 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.

At the request of the Company, trading in shares (stock code 66) in and listed debt securities (stock code 2524) of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. and 9:49 a.m., respectively, on Tuesday, 24th February, 2004 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in its shares and listed debt securities with effect from 9:30 a.m. on Wednesday, 25th February, 2004.

The Government of the Hong Kong Special Administrative Region (the "Government") announced today its invitation to the Company and Kowloon Canton Railway Corporation ("KCRC") to commence discussions on the possible merger between the Company and KCRC with a view to concluding the discussions by 31st August, 2004.

The Company has stated previously that if the merger is implemented on acceptable terms, it would be beneficial to all the 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.

Given the complexity of the transaction and the different discussions required with the various parties, the Company will work closely with Government and KCRC to bring the matter to a close as expeditiously as possible. As the Government currently owns approximately 76% of the Company as well as 100% of KCRC, 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 otherwise subject to Chapter 14 of the Listing Rules. As a connected transaction, the merger 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 discussions between the Company, KCRC and Government will result in a merger, and 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.**

At the request of the Company, trading in shares (stock code 66) in and listed debt securities (stock code 2524) of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was suspended with effect from 9:30 a.m. and 9:49 a.m., respectively, on Tuesday, 24th February, 2004 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in its shares and listed debt securities with effect from 9:30 a.m. on Wednesday, 25th February, 2004.

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, 24th February, 2004