

## MTR Corporation Limited 香港鐵路有限公司

Minutes of the 17<sup>th</sup> Annual General Meeting (the "Meeting") of MTR Corporation Limited 香港鐵路有限公司 (the "Company") held at Rotunda 3 (6/F), Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Wednesday, 17 May 2017 at 11:30 a.m.

Present Shareholders' attendance list was compiled by Computershare Hong Kong Investor Services Limited ("Computershare"), the Company's Share Registrar.

Professor Frederick Ma Si-hang (Chairman of the Board, and Chairman of Corporate Responsibility Committee), Dr Dorothy Chan Yuen Tak-fai (Board Member and Chairlady of Remuneration Committee), Dr Eddy Fong Ching (Board Member and Chairman of Audit Committee), Mr Alasdair George Morrison (Board Member and Chairman of Risk Committee), Mr Abraham Shek Lai-him (Board Member and Chairman of Nominations Committee) and Dr Allan Wong Chi-yun (Board Member and Chairman of Capital Works Committee).

Other Members of the Board present: Mr Andrew Lai Chi-wah (Alternate Director to Professor Chan Ka-keung, Ceajer), Mrs Pamela Chan Wong Shui, Mr Vincent Cheng Hoi-chuen, Mr Anthony Chow Wing-kin, Mr James Kwan Yuk-choi, Mr Lau Ping-cheung, Kaizer, Mrs Lucia Li Li Ka-lai, Mr Ng Leung-sing, Mr Benjamin Tang Kwok-bun, Mr Andrew Clifford Winawer Brandler (elected as a new Director during the Meeting) and Mr Lincoln Leong Kwok-kuen (Board Member, Chief Executive Officer ("CEO") and a Member of the Executive Directorate).

Other Members of the Executive Directorate present: Dr Jacob Kam Chak-pui (Managing Director - Operations and Mainland Business), Ms Margaret Cheng Wai-ching (Human Resources Director), Mr Morris Cheung Siu-wa (President of MTR Academy), Dr Peter Ronald Ewen (Engineering Director), Mr Herbert

Hui Leung-wah (Finance Director), Mr Adi Lau Tin-shing (Operations Director), Ms Gillian Elizabeth Meller (Legal and European Business Director), Ms Linda So Ka-pik (Corporate Affairs Director), Mr David Tang Chi-fai (Property Director), Dr Philco Wong Nai-keung (Projects Director), and Ms Jeny Yeung Mei-chun (Commercial Director).

In Attendance Ms Ivy Cheung and Mr Peter Wong (representatives of KPMG – the Company’s Auditors);

Mr James Wong and Mr P C Wong (representatives of Computershare); and

Mr Peter Brien, Mr Jason Webber and Mr Nelson Ni (representatives of Slaughter & May – the Company’s External Legal Advisers).

Facilitator Ms Linda So welcomed everyone to the Meeting. She informed attendees that:

1. the Meeting would be conducted in Cantonese, and there would be simultaneous interpretation (into Putonghua and English) throughout the Meeting;
2. shareholders present at the Meeting (the “Shareholders”) who would like to ask questions, would be directed to a designated microphone position;
3. only Shareholders, representatives of corporate shareholders and proxies would be entitled to ask questions at the Meeting; and
4. the Chairman would answer questions in the language in which they were asked and simultaneous translation of both the questions and answers would be provided by the interpreters.

Ms So also highlighted various housekeeping matters.

She then invited the Chairman to address the Meeting.

Chairman's  
Opening  
Remarks

The Chairman welcomed Shareholders to the Meeting and noted that he had invited the Company's advisers and some relevant persons to attend the Meeting.

He advised that, to facilitate those shareholders who could not come to the Meeting, the Meeting would be video recorded and the webcast would be available on the Company's website within the following 24 hours.

The Chairman suggested that Shareholders should approach the Company's helpers at the Customer Service Counter and the Shareholder Service Counter outside the entrance of the Meeting hall if Shareholders' questions were on railway operations, property management or other businesses, or were personal in nature. The Chairman noted that he understood that Shareholders might want to take this opportunity to express their personal grievances and complaints, but explained that the Meeting was not an appropriate forum. He urged Shareholders to refrain from raising questions that were not related to the Resolutions at the Meeting and forewarned that, in the interests of other Shareholders present at the Meeting, he might have to intercept such questions to ensure a smooth Meeting.

Notice

As there was a quorum present, the Chairman declared the Meeting open.

The Chairman proposed and, with permission from Shareholders, the Notice convening the Meeting, which had been distributed to shareholders, was taken as read.

Chairman's  
Statement

The Chairman commenced the Meeting by officially welcoming Mr. Anthony Chow Wing-kin, who was appointed as a new Director of the Company at the Company's 2016 Annual General Meeting. The

Chairman also welcomed Mr Herbert Hui Leung-wah, Finance Director, and Ms Margaret Cheng Wai-ching, Human Resources Director, who joined the Company's Executive Directorate in 2016.

The Chairman noted that Mr Ng Leung-sing would retire as an Independent Non-executive Director of the Company after the Meeting and thanked Mr Ng for his valuable contributions to the Board and the Company over the past 9 years. A big round of applause was given to Mr Ng.

The Chairman noted that, as mentioned in the Circular to shareholders dated 10 April 2017, Mr Alasdair George Morrison and Mr Abraham Shek Lai-him would retire at the Meeting and would seek re-election for a shorter term of office of one year and two years respectively. The Chairman advised that, as a matter of prudent succession planning, the Board had proposed the election of Mr Andrew Clifford Winawer Brandler and Mr Johannes Zhou Yuan as new Directors of the Company, which would be dealt with later at the Meeting.

The Chairman then shared with Shareholders a review of the Company's performance and some of the key matters relating to the Company over the past year, as summarised below.

On the operations front, the Chairman reported that the overall performance of the Company's train service in 2016 had been the best since the Rail Merger, with on time performance of the Heavy Rail network maintained at a world-class level of 99.9%. To support such a high level of service, the Company had invested over HK\$8 billion in 2016 on maintenance and enhancements of its railway systems. In addition, the Company had also awarded a number of large scale contracts, including the replacement of the signalling systems and the purchase of 93 new 8-car trains and 40 new Light Rail vehicles. The Chairman highlighted that, given the enormous size of the network involving an extensive amount of equipment and number of people, there

could be occasional delays in the Company's train services. The Chairman sought the Shareholders' and passengers' understanding in this respect.

The Chairman also noted that the 8-car trains conversion works on the West Rail Line had been progressing well and was targeted to be completed in 2018. The 4-car trains on the Ma On Shan Line were also being progressively converted to 8-car trains, with four 8-car trains put into service already.

The Chairman advised that, apart from the replacement and upgrade of the railway systems, the Company had also continued to invest resources into enhancing station facilities, such as passenger lifts, toilets and breastfeeding facilities, in response to requests from the public. The Chairman noted that all these enhancements and investments could only be made possible with a stable and sustainable source of revenue; hence, it was imperative for the Company to have in place an objective, rational and transparent Fare Adjustment Mechanism ("FAM").

The Chairman reported that the early review of the FAM had been completed jointly with Government, with the objectives of benefiting all passengers while ensuring the financial sustainability of the Company to enable the continued provision of safe, reliable and efficient railway services. He noted that the results of the review, which had concluded that the FAM formula would remain unchanged, had been announced in March by the Company together with Government. The Chairman further noted that, in response to the requests from the public, a number of new concessions would be offered to passengers during the years from 2017 to 2022.

The Chairman noted that the opinions of many stakeholders had been taken into consideration during the review, including those from Legislative and District Councillors and the public and, in view of the higher burden that transportation costs might pose for some communities and residents in more remote areas,

monthly passes and on-going fare concessions of over HK\$2.5 billion a year had been made available.

The Chairman pointed out that, as a listed company, the Company had to take into account the interests of different stakeholders, including its shareholders, and could not take care of the livelihood issue of the public single-handedly. The Chairman noted that, nonetheless, the Company had endeavoured to offer various concessions that were possible in the circumstances in response to the requests from the public, including: no adjustment to MTR fares in 2017/18, and a 3% rebate to be offered for every trip taken by passengers travelling with an Octopus card for a period of 6 months.

The Chairman also advised that, as announced recently, the fares of the Airport Express (“AEL”) would be increased for the first time after 19 years of operation. The Chairman opined that the proposed fare increase of around 10% was considered reasonable, given the increasing operating costs and the need for system refurbishment of the AEL; also, the impact on the livelihood of the public should be insignificant as the impacted passengers were primarily tourists and business travellers.

With regard to the railway extension projects in Hong Kong, the Chairman advised that the opening of the Kwun Tong Line Extension (“KTE”) and the South Island Line East (“SIL(E)”) in 2016 had brought greater choice and convenience to the travelling public and had enabled MTR to connect all 18 districts in Hong Kong. The Chairman noted that, including the West Island Line, three out of the five new lines under the “Rail Gen 2.0” programme had been completed; with two remaining new lines, the Express Rail Link (“XRL”) and the Shatin to Central Link (“SCL”), still under construction.

The Chairman advised that the construction work of the XRL had been progressing well and, as the project manager of XRL, the Company had been working hard

towards its target opening date in the third quarter of 2018.

In relation to the SCL, the Chairman noted that the construction work had been progressing steadily and the East West Corridor and the North South Corridor were expected to be completed in mid-2019 and 2021 respectively. The Chairman reminded that, as previously mentioned in the Company's 2016 annual results announcement, given the continuing difficulties and challenges encountered in the construction of the SCL, the project cost estimate would need to be revised upwards significantly. The Chairman noted that the Company aimed to report the outcome of the review of the SCL project cost estimate to Government in the second half of the year.

The Chairman noted that, with the completion of the XRL and the SCL projects, the "Rail Gen 2.0" programme would further enhance the railway network and services for passengers in Hong Kong.

The Chairman further noted that, in addition to the two aforesaid new lines currently under construction in Hong Kong, the Company had also been invited by Government to submit proposals for four out of the seven new railway extension projects under its Railway Development Strategy 2014. The Company had already submitted its proposals for the Tuen Mun South Extension and the Northern Link to Government, and was working on the technical studies in relation to the East Kowloon Line and the Tung Chung West Extension.

The Chairman highlighted that, even though the Company had not completed any property development projects in Hong Kong in 2016, eleven property development packages had been tendered out over the past three years which, in aggregate, would supply approximately 18,000 residential units in Hong Kong when completed.

The Chairman believed strongly that "people" were at

the heart of the Company's success, and reported that the MTR Academy, which aimed to become a world class railway management and engineering training centre for the training of local talent through its quality programmes and to export the Company's rail expertise to other countries, including "Belt and Road" countries, had been formally opened in November 2016. The Chairman noted that the advanced diploma programme and the short courses offered by the MTR Academy had attracted keen interest.

The Chairman noted that, beyond Hong Kong, Phase one of Beijing Metro Line 16, which was operated by the Company's joint venture in Beijing, had opened, and the Company had also started operating the Stockholm commuter rail in Sweden since December 2016.

The Chairman further noted that the Company's business in the United Kingdom had made encouraging progress with the winning of the South Western rail franchise, which covered the railway lines that ran between London Waterloo and South West England, with an annual patronage of around 220 million, by a joint venture formed by FirstGroup plc and the Company and the qualification of the Company as one of the four bidders for the Wales and Borders rail franchise in the United Kingdom.

In relation to Australia, the Chairman reported that Metro Trains Melbourne ("MTM"), the Company's 60% owned subsidiary, had submitted a proposal to the Government of Victoria for an extension of the franchise to operate the Melbourne metro network for another seven years. He noted that the existing franchise operated by MTM would expire in November 2017 and the result of the franchise extension was expected to be known in the second half of 2017. In Sydney, further to the Sydney Metro Northwest project, the Company had been exploring a potential investment opportunity in the Sydney Metro City and Southwest project, a 30 kilometre extension of the Sydney Metro Northwest.



The Chairman then gave an overview of the Company's 2016 financial results as summarised below:

Putting the financial performance in context and compared to 2015, the Company had recorded revenue growth in all its business segments in 2016. The Company's total revenue had increased by 8.4% to HK\$45.2 billion; total operating profit arising from recurrent businesses, before Hong Kong and Mainland of China property development profits, depreciation, amortisation and variable annual payment, had increased by 4.2% to HK\$16.9 billion, while the corresponding operating margin had dropped marginally, by 0.3%, to 38.7%. Excluding the Company's Mainland of China and international subsidiaries, its operating margin had increased by 0.6% to 53.9%. The Company's recurrent business profit for 2016 had increased by 4.1% to HK\$8.9 billion, whilst its property development profit after tax had decreased from HK\$2.3 billion in 2015 to HK\$0.5 billion. The Company's underlying business profit in 2016 was HK\$9.4 billion, and its underlying earnings-per-share was HK\$1.61.

Apart from the good performance in railway operations, the Chairman pointed out that the Company had also supported Hong Kong's development into a green financial hub through the issuance of the Company's first Green Bond, a US\$600 million bond with a 10-year tenor, in October 2016, supported by a Green Bond Framework to cover the governance, issuance, use of the proceeds and the determination of the eligibility of the investments for the Company's Green Bond, which had been awarded the "Best Green Bond" deal in the "FinanceAsia Achievement Awards 2016".

The Chairman noted that the efforts and good work of the Company had also been reflected in its share price, which had reached a new high of over HK\$49.0 per share in the morning of the Meeting. The Chairman noted that the Company's share price had outperformed the Hang Seng Index and had gone up by over 20%, when compared to the share price of around

HK\$38.6 per share at the time of the Company's last Annual General Meeting. The Chairman however reminded Shareholders that share prices were subject to fluctuation and due caution should be exercised when dealing in shares.

The Chairman noted that, in line with the Company's "progressive" regular dividend policy, the Board had recommended a final dividend of HK\$0.82 per share, resulting in a full year dividend of HK\$1.07, an increase of 1% over 2015. Subject to Shareholders' approval at the Meeting, this would be the tenth consecutive year of dividend increases, and Shareholders might also opt to receive their dividends in scrip. The Chairman added that the Second Special Dividend of HK\$2.20 per share, payable in cash under the XRL Agreement, would also be paid to eligible shareholders in July 2017, at the same time as the 2016 final dividend.

The Chairman noted that the Company was conscious that, in order to sustain its growth, it had to operate responsibly. The Chairman noted that the Company had strived to achieve this by ensuring that customers' needs were met, treating employees with respect, using natural resources efficiently, managing the impact of the Company's operations on the environment, and contributing positively to the communities in which it operated.

The Chairman noted that, during 2016, in accordance with the Company's spirit of caring for the community, retail shops and advertising spaces in its railway network had been offered and leased at concessionary rates to non-governmental organisations through the "Community Connect" platform. The Company had also invited youngsters to offer their feedback and ideas, some of which had been put into practice, and had partnered with non-governmental organisations to organise different activities to provide support to youth in their transition from study to work.

The Chairman added that the "MTR Gallery", which was opened in February 2017 and had seen a large

number of reservations and visits, provided an interactive exhibition corner for the public to showcase Hong Kong's railway development.

The Chairman noted that the Company had to deal with conflicting demands from time to time. As a listed company, the Company had to act in the interests of its shareholders and deliver good results but, at the same time, as a major player in the Hong Kong transportation system, it also needed to take into consideration requests from different stakeholders. The Chairman explained the dilemma facing the Company: on the one hand, the Company was under pressure from the public to lower fares but, on the other hand, it also needed to ensure that its operating costs, staff remuneration and benefits were taken care of. The Chairman opined that there was no easy solution to strike the right balance among the different interests. The Chairman however highlighted that, over the past ten years, while the cumulative inflation rate in Hong Kong had been over 30%, the Company had managed to keep the cumulative increase in MTR fares below inflation and the average wage increase during the same period.

The Chairman noted that there were different challenges facing the Company ahead. In respect of the railway projects, the Company's Projects team would continue to work towards the completion of the XRL and the SCL in accordance with their respective programmes. Also, as mentioned earlier at the Meeting, the Company aimed to submit the updated project cost estimate for the SCL to Government in the second half of the year, and Government would have to apply for the additional funding from the Legislative Council.

On the operations front, the Chairman noted that, with the opening of the new lines and the expansion of the railway network, the crowding situation in certain busy interchange stations, such as Admiralty Station, would inevitably intensify. The Chairman noted that the replacement of the signalling systems of the East Rail Line and the Tsuen Wan Line ("TWL") could also bring

inconvenience to passengers during the interim period for which he sought the public's understanding in advance.

The Chairman noted that there could still be a lot of uncertainties facing the global economy in 2017, such as the withdrawal of the United Kingdom from the European Union - "Brexit", and that the retail market in Hong Kong was expected to follow and adjust in accordance with the global trend. The Chairman further noted that, even though the full year impact of the opening of the KTE and the SIL(E) could help to alleviate the slowdown in patronage growth in the Hong Kong railway business, the increases in depreciation and interest expenses resulting from these two new lines could, on the other hand, have a negative impact on the profit of the Company.

The Chairman added that rental reversions in the Company's station shops and investment properties were dependent on market conditions and the Company's advertising business was expected to be more susceptible to the economic and retail sales conditions.

With respect to the Hong Kong property development business, the Chairman noted that, subject to market conditions, the Company expected to tender out approximately six property development packages over the next twelve months or so. The tender invitation for the first package of the Kam Sheung Road Station site, which was a KCRC project for which the Company acted as agent, had commenced at the end of April. In addition, the Chairman noted that the Company also planned to tender out one or two packages at LOHAS Park and Wong Chuk Hang Station; one package at Ho Man Tin Station; and the Yau Tong Ventilation Building site development project.

Regarding the Company's shopping malls, the Chairman noted that the extension works for Maritime Square and Telford Plaza II had been progressing well and were targeted to be completed in the second half of

2017. The Company had also invested in two new shopping centres in the Tai Wai and LOHAS Park package 7 developments. These projects, when completed over the following five years or so, would add over 120,000 square meters to the Company's shopping centre portfolio.

The Chairman noted that the Company continued to face many challenges in expanding its rail and property businesses in the Mainland of China and overseas, and, in pursuing potential opportunities outside of Hong Kong, MTR staff realised the importance of surpassing the Company's competitors in terms of performance. The Chairman expressed his confidence in the determination and ability of the MTR team to export the MTR brand outside of Hong Kong while recognising that, in the end, Hong Kong remained the home base of MTR, and the Company would continue to listen to the views and comments of its different stakeholders, and would continue to demonstrate its commitment to connecting the community and striving for continuous improvement.

The Chairman expressed his thanks to his fellow Board Members, the management team and staff for their remarkable and relentless contribution and commitment.

The Chairman then reported that the Company had submitted a report on the arson incident which had happened on 10 February in a TWL train, to Government on 25 April and would follow-up on the implementation of the recommendations in the report. The Chairman expressed his deepest gratitude to the front line staff, who had handled the incident in a professional and orderly manner. The Chairman noted that the Chief Executive of Hong Kong had commended the professionalism and good work of the staff. The Chairman also wished the injured passengers a speedy recovery.

The Chairman noted that, despite the challenges ahead, he was confident that, with the continuous

efforts and team spirit of the more than 37,000 staff in Hong Kong and worldwide, the Company would continue to build on its strengths and expertise in further expanding its business footprint in Hong Kong, the Mainland of China and overseas, and would continue to be recognised as a premier brand that Hong Kong would be proud to call its own.

Finally, the Chairman thanked the entire MTR team again and reiterated his pride in being the Chairman.

#### Voting Procedures

Before considering the resolutions, the Chairman exercised his right as the Chairman of the Meeting under Article 71 of the Company's Articles of Association (the "Articles") to call a poll on each resolution to be proposed at the Meeting.

In order to minimise the time spent on counting the votes, the Chairman exercised his right as the Chairman of the Meeting under Article 72 of the Articles to use an electronic voting system to conduct the poll on each resolution to be proposed at the Meeting.

The Chairman said that, as before, Computershare had been appointed as the scrutineers to count and certify the poll results. He noted that, as the electronic voting system would be used to count the votes, it was expected that the results of the poll would be displayed on the screen before the end of the Meeting. In addition, the poll results would be published on the websites of the Company and The Stock Exchange of Hong Kong Limited ("HKSE") in accordance with the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules").

Mr James Wong of Computershare then gave a demonstration on how electronic poll voting would work.

The Chairman thanked Mr Wong and noted that all Directors of the Company recommended Shareholders to vote in favour of each of the proposed resolutions set out in the Notice of the Meeting.

Directors'  
Report and  
Audited  
Statement of  
Accounts

The Directors' Report and the audited Statement of Accounts for the year ended 31 December 2016 were taken as read with the permission from Shareholders.

Auditors'  
Report

Ms Ivy Cheung of KPMG summarised the Auditors' Report to the Meeting.

The Chairman thanked Ms Cheung.

Before the Chairman formally proposed Resolution 1 (i.e. the ordinary resolution to receive the audited Statement of Accounts and the Reports of the Directors and the Auditors of the Company for the year ended 31 December 2016), he asked whether there were any questions from the floor relating to the proposed resolutions. The Chairman noted that, for questions not related to the proposed resolutions, he would be pleased to answer or request the Company's management to answer them outside the Meeting. He also reiterated that there was a service counter outside the Meeting hall at which questions relating to railway operations or shareholder services could be raised and answered separately.

Ms Linda So then made an announcement about the logistical arrangements regarding Shareholders attending the Meeting in rooms 601 and 602 of Kowloonbay International Trade & Exhibition Centre via live feed, and invited Shareholders with questions to go to the main auditorium, Rotunda 3, to raise their questions.

**An anonymous Shareholder** asked if the appointment of KPMG as Auditors of the Company had gone through a tender process.

The Chairman acknowledged the question and invited Mr Lincoln Leong, CEO, to respond to the question.

Mr Leong thanked the Shareholder for her question and noted that KPMG was one of the well-established audit companies in the world, being one of the commonly known "Big Four" accounting firms, and their appointment had been approved by Shareholders at Annual General Meetings successively in previous years.

**An anonymous Shareholder** expressed her appreciation towards the Chairman and asked whether, given the good results and the growth in the Company's business, the Company would consider providing any form of substantive benefits, such as concessionary fares, to Shareholders. She also noted that there could be both challenges and opportunities under the Belt and Road Initiative, and wondered how much return the Initiative could help to generate for Shareholders.

The Chairman thanked the Shareholder for her questions and invited Mr Leong to respond to the first question.

Mr Leong thanked the Shareholder for her question and for her continued support for the Company. He noted that the Company provided different forms of concessions to its passengers and said that Ms Jeny Yeung, Commercial Director, could provide further details on the concessions currently offered by the Company, if needed.

The Chairman noted that, in response to the second question, he had just returned from a Belt and Road Forum for International Cooperation, which was held in Beijing on 14 and 15 May 2017. He noted that many countries had expressed support for the Belt and Road Initiative and, at the Forum, there had been extensive discussions around the increasing connectivity and potential infrastructure projects, particularly in the area of transportation, in the region. The Chairman opined that, given the good track record of the Company and being one of the pioneering companies in Hong Kong to expand overseas, there would certainly be business



opportunities for the Company associated with the Belt and Road Initiative. The Chairman also pointed out that the Belt and Road Initiative was consistent with the Company's development strategy to expand outside of Hong Kong, as evidenced by the investments it had made in the United Kingdom, Sweden and Australia.

The Chairman noted that the Belt and Road Initiative opened up a lot of new business opportunities and, because of the good operational track record of the Company, it had been invited to participate in a number of infrastructure projects; however, it would be premature to quantify the return that the Initiative could generate for the Company at this stage. The Chairman further noted that the Board, supported by its Risk Committee and the management team, would exercise prudence and caution when making investment decisions, and would only make investments after thorough evaluation and consideration.

The anonymous Shareholder then asked the Chairman if she should increase her shareholding in the Company, given that its share price had reached a record high.

The Chairman noted that investors should consult their own financial advisers and carry out their own research before making any investment decisions.

**Mr Stephen Yuen** commented that, as Government owned around 75% of the Company, it could override the votes of minority shareholders when a poll was conducted; hence, the ability for minority shareholders to vote against any proposed resolution, such as the appointment of Directors and Auditors, was only theoretical.

The Chairman thanked Mr Yuen for his comment and explained that, in the case of a resolution relating to a connected transaction with Government, such as the XRL Agreement and the XRL Arrangements, a General Meeting would be convened to consider the resolution and only Independent Shareholders would be eligible to

vote; Government and its associates and close associates would be required to abstain from voting with respect to the relevant resolution.

**Ms Silvia Lai Wai Bing**, Shareholder, who had not identified herself when she raised a question earlier at the Meeting, repeated her previous question on whether the appointment of KPMG as Auditors of the Company had gone through a tender process. Ms Lai also asked if Shareholders were offered the option to vote against the appointment. Ms Lai noted that, being a long-time shareholder of the Company, she had concerns about the strategy adopted by the management and the Board of Directors.

The Chairman thanked Ms Lai for her questions and invited Mr Leong to respond.

Mr Leong thanked Ms Lai again for her questions and for her long-term support for the Company. Mr Leong noted that the Company had followed all the procurement procedures under the World Trade Organization, where applicable. Mr Leong also clarified that there was no requirement for the appointment of Auditors to be tendered out every year; however, the continuation / re-appointment as Auditors would need to be approved at the Company's Annual General Meeting every year, and it would be up to Shareholders to determine whether such re-appointment should be approved or not.

**An anonymous Shareholder** from the floor noted that he believed the Company had done a good job with its tendering and procurement process, and had set very stringent standards and requirements in tendering processes. He asked if the Company had any open and transparent mechanism to monitor the execution of contracts and the performance of contractors after contract award, as so to ensure that the contractual requirements were adhered to. He opined that the Company seemed to have turned a blind eye to the performance of contractors after the award of contracts. He gave an example that a project relating to the Royal

Ascot, which cost around HK\$800,000 could, in his view, be done for less than HK\$200,000.

The Chairman reminded Shareholders that questions should be related to the proposed resolutions and suggested that the Shareholder raised his issue to the Company in writing, in order not to take up other Shareholders' time at the Meeting.

The Shareholder reiterated his questions about the Company's processes and procedures in ensuring that goods and services were delivered in accordance with agreed specifications and questioned how stringent the Company's processes were, should a contractor fail to deliver in accordance with the tender requirements.

The Chairman explained that the Company had very stringent procurement and tender processes and procedures, and certain contract awards would require the approval of the Board of Directors. The Chairman emphasised that the Company followed established processes and procedures and reiterated his suggestion for the Shareholder to send in his specific questions in writing to the Company, instead of taking up other Shareholders' time with his personal issues.

**Ms Mak Mei Chun**, Shareholder, referred to Government's Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities, under which beneficiaries could travel on the MTR at HK\$2 per trip, and noted that her understanding was that Government was funding and subsidizing the concessionary fare. Ms Mak suggested that the Company should consider waiving the HK\$2 fare so that senior citizens could travel free on the MTR, but continue to receive the subsidy from Government.

The Chairman thanked Ms Mak for her suggestion and explained that the HK\$2 concessionary fare was, in fact, partly funded by the Company and partly funded by Government. The Chairman believed that Government would have heard her suggestion expressed at the Meeting.

**An anonymous Shareholder** noted that he would like to talk about an upsetting incident that took place at Wanchai Station in the morning when he was on his way to the Meeting.

The Chairman reiterated that the matters being discussed at the Meeting related to the audited Statement of Accounts of the Company and indicated that a staff from the Company would be ready to talk to him outside of the Meeting. The Chairman further explained that he needed to maintain the order of the Meeting and to prevent it from being turned into a venue for airing personal grievances.

**Mr Lee**, Shareholder, commended the Chairman for his abilities and referred to his comments about the Company's potential participation in the Belt and Road Initiative. Mr Lee opined that the objective of the Belt and Road Initiative, as a national policy of Mainland China, was to export its excess capacity. Mr Lee also opined that a lot of the Belt and Road countries were "third world countries" with immature legal systems and lacked transparency in their operations. Mr Lee cautioned the Chairman to exercise caution before the Company decided to take part in any Belt and Road projects in future.

The Chairman thanked Mr Lee for his comments and reiterated that the Company always acted in the best interests of the shareholders and with caution when making investment and operational decisions.

**An anonymous speaker** referred to the issues raised by an earlier speaker on the Company's oversight on contracts after they were awarded and the Chairman's suggestion for the speaker to relate his issues to him in writing. The speaker noted that, in that case, the other Shareholders would not be able to know the details of such issues and the Company's response.

The Chairman pointed out that the Company was a sizeable company with a market capitalization of around

HK\$280 billion. He pointed out that the responsibility of the Board of Directors was to oversee the management team to ensure their professional conduct, and that the Board would no doubt take action in case of shortcomings in the management team. The Chairman noted, however, that there were a lot of operational details in running the Company, and they could not undertake to report the details and specifics of each and every matter to the shareholders.

**An anonymous Shareholder** noted that she would like to commend the excellent work of the front line staff of the Company.

The Chairman thanked the speaker for her commendation but nonetheless invited her to send a commendation letter to the Company, instead of taking up other Shareholders' time at the Meeting.

**Mr Leung**, Shareholder and a proxy, opined that, as the Company grew in size, various governance and finance issues would inevitably be arising, such as those relating to fare adjustments and concessions. Mr Leung noted that he disagreed with the suggestion by a Shareholder to waive the concessionary fare of HK\$2, as people might abuse the scheme if they could travel free on the network.

Mr Leung also expressed his support for the Chairman's suggestion for the Company's single majority shareholder, the Government of the Hong Kong Special Administrative Region, to reduce its shareholding in the Company down to 51% and use the proceeds to set up a fund to subsidise the transportation costs of eligible citizens in Hong Kong. Mr Leung opined that this was a good and viable idea, and asked for an update on the progress of the suggestion and the response from Government.

The Chairman thanked Mr Leung for supporting his personal opinion expressed on an earlier occasion and opined that, since it had already been widely reported by the media, Government officials, including the Chief

Executive-elect, would have been made aware of his suggestion and that there was no update to be provided at the Meeting.

**Mr Cheung Mei Hung**, Shareholder and a Member of the Sai Kung District Council, noted that he had complained to the Company about certain district issues.

The Chairman advised Mr Cheung that, as indicated at the beginning of the Meeting, matters not related to the Resolutions would have to be dealt with outside the Meeting.

Mr Cheung asked if the Chairman would respond to letters concerning district issues after the Meeting.

The Chairman thanked Mr Cheung and advised that he would be happy to do so.

**Ms Choi Kwai Yee**, Shareholder, commended the Company for increasing the number of priority seats on MTR trains from two to seven.

The Chairman thanked Ms Choi for her comment and reiterated that, in order not to take up the time of other Shareholders, she could relay her comment to the Company's helpers at the Customer Service Counter and the Shareholder Service Counter outside the entrance of the Meeting hall.

**Mr Mok**, Shareholder, suggested that the Company could consider discontinuing the "Happy Birthday • Happy Journey" campaign and using the savings to offer a nice buffet to Shareholders after the Meeting instead. Mr Mok opined that many Shareholders who attended the Meeting were retirees and, by offering the buffet, the Company could achieve the dual purposes of showing respect for the elderly and showing appreciation to Shareholders.

The Chairman thanked Mr Mok for his suggestion.

**Madam Principal Chan**, Shareholder, noted that much time had been spent on the first proposed resolution already and, if the Meeting continued to proceed in this manner, Shareholders would have to spend a long time at the Meeting. Madam Principal Chan suggested that staff from the Company should verify the nature of the Shareholders' questions and only allow Shareholders to raise questions relevant to the proposed Resolutions at the Meeting.

The Chairman thanked Madam Principal Chan for her suggestion and sought cooperation from Shareholders to ensure that the Meeting could be conducted smoothly.

**Mr Lee**, Shareholder, recalled that, at the time of the initial public offering of the shares of the Company, Government had told prospective shareholders that they would explore means to support the operations of the Company in order to limit the increase in MTR fares. Mr Lee opined that Government should not lose sight of its original intention.

Mr Lee also opined that the Company should have filled in any platform gaps at the time the automatic platform gates were installed at the relevant stations.

The Chairman again asked Mr Lee to relay his suggestions to staff of the Company.

**Mr Wong**, Shareholder, noted that the Company had two main businesses, namely railway operations and property development. He asked if the Company would expand its overseas investment in property development to increase its revenue. Mr Wong also asked if the Company would consider to only increase the fares of single journey tickets, but not Octopus fares, in future.

The Chairman thanked Mr Wong for his questions and reiterated that the Company would always make investment decisions, including local and overseas property development projects, in a prudent manner.

**An anonymous Shareholder** noted that she owned a residential unit at LOHAS Park package one and had been living there since its completion. She noted that the Company would have more property development projects in the future and asked if the Company would work with the relevant developers to improve the time required to complete any remedial works. She opined that this would be important to safeguard the best interest of shareholders.

The Chairman reiterated that the Company always strived to offer the best service to all of its stakeholders.

**Mr Leung**, Shareholder, referred to an earlier suggestion by a Shareholder to offer a buffet to Shareholders after the Meeting and expressed his disagreement with the suggestion.

The Chairman took note of Mr Leung's comment.

**Mr Chan**, Shareholder, noted that the Company's share price had performed very well under the leadership of the Chairman and expressed support for the proposed resolutions. Mr Chan further noted that the Chairman had emphasized the importance of acting with integrity and empathy, as well as the need for the Company to take care of the interests of different stakeholders on a number of occasions. Mr Chan expressed his wish that the Company should become a socially responsible organization serving the community, while delivering value to its shareholders. In this regard, he suggested that the Company should enhance the standard of its property management.

The Chairman thanked Mr Leung for his comments and reiterated that it was one of the Company's objectives to provide quality service to all its stakeholders.

The Chairman thanked Shareholders again for their valuable comments and proceeded to conduct the poll on Resolution 1.



As more than 50% of the votes were casted in favour of Resolution 1, the Chairman declared Resolution 1 carried.

Final Dividend The Chairman continued to formally propose Resolution 2, namely, the ordinary resolution to declare a final dividend for the year ended 31 December 2016 of HK\$0.82 per ordinary share, as recommended by the Board of Directors.

The Chairman then conducted the poll on Resolution 2.

As more than 50% of the votes were casted in favour of Resolution 2, the Chairman declared Resolution 2 carried.

Re-election of Retiring Directors In accordance with the Articles, Professor Frederick Ma Si-hang, Mrs Pamela Chan Wong Shui, Dr Dorothy Chan Yuen Tak-fai, Mr Alasdair George Morrison and Mr Abraham Shek Lai-him retired individually from the office of Directors and, being eligible, offered themselves for re-election at the Meeting.

The Chairman invited questions from Shareholders about Resolution 3.

In response to a suggestion from some Shareholders, the Chairman invited the Directors standing for re-election to stand up and introduced each one of them individually.

An anonymous Shareholder proposed a vote of thanks to the retiring Director for his service to the Company and the Chairman thanked her for the proposal.

As there were no questions from Shareholders, the Chairman invited Mr Abraham Shek Lai-him to formally propose Resolution 3(a).

Mr. Abraham Shek Lai-him proposed and conducted the poll on Resolution 3(a), that Professor Frederick Ma Si-

hang be re-elected as a member of the Board of Directors of the Company.

As more than 50% of the votes were casted in favour of Resolution 3(a), the Chairman declared Resolution 3(a) carried.

The Chairman then proposed and conducted the poll on Resolution 3(b), that Mrs Pamela Chan Wong Shui be re-elected as a member of the Board of Directors of the Company.

As more than 50% of the votes were casted in favour of Resolution 3(b), the Chairman declared Resolution 3(b) carried.

The Chairman then proposed and conducted the poll on Resolution 3(c), that Dr Dorothy Chan Yuen Tak-fai be re-elected as a member of the Board of Directors of the Company.

As more than 50% of the votes were casted in favour of Resolution 3(c), the Chairman declared Resolution 3(c) carried.

The Chairman then proposed and conducted the poll on Resolution 3(d), that Mr Alasdair George Morrison be re-elected as a member of the Board of Directors of the Company.

As more than 50% of the votes were casted in favour of Resolution 3(d), the Chairman declared Resolution 3(d) carried.

The Chairman then proposed and conducted the poll on Resolution 3(e), that Mr Abraham Shek Lai-him be re-elected as a member of the Board of Directors of the Company.

As more than 50% of the votes were casted in favour of Resolution 3(e), the Chairman declared Resolution 3(e) carried.

Election of New Directors The Chairman proposed the poll on Resolution 4, namely, the ordinary resolution to elect Mr Andrew Clifford Winawer Brandler as a new member of the Board of Directors of the Company. He invited Mr Brandler to stand up and gave an introduction of his background.

The Chairman then conducted the poll on Resolution 4.

As more than 50% of the votes were casted in favour of Resolution 4, the Chairman declared Resolution 4 carried.

The Chairman proposed and conducted the poll on Resolution 5, namely, the ordinary resolution to elect Mr Zhou Yuan (also known as Mr Johannes Zhou) as a new member of the Board of Directors of the Company.

As more than 50% of the votes were casted in favour of Resolution 5, the Chairman declared Resolution 5 carried.

Auditors The Chairman proposed and conducted the poll on Resolution 6, namely, the ordinary resolution to re-appoint KPMG as Auditors of the Company and to authorise the Board of Directors to determine their remuneration.

As more than 50% of the votes were casted in favour of Resolution 6, the Chairman declared Resolution 6 carried.

General Mandate The Chairman proposed Resolution 7, namely, the ordinary resolution to grant a general mandate to the Board of Directors to allot, issue, grant, distribute and otherwise deal with additional shares in the Company in the terms set out in the Notice of the Meeting as follows:

Resolution 7

“THAT:

- (A) subject to paragraph (B) below, the exercise by the Board of Directors during the Relevant Period of all the powers of the Company to allot, issue, grant, distribute and otherwise deal with additional Shares, to grant rights to subscribe for, or convert any security into, Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) and to make or grant offers, agreements and options which will or might require such powers to be exercised during or after the end of the Relevant Period, be and is hereby generally and unconditionally APPROVED;
- (B) the aggregate number of Shares allotted, issued, granted, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued, granted, distributed or otherwise dealt with (whether pursuant to an option, conversion or otherwise) by the Board of Directors pursuant to the approval in paragraph (A) above, otherwise than pursuant to:
  - (i) a Rights Issue; or
  - (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the members of the Executive Directorate and/or officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares, including without limitation pursuant to the Rules of the Company’s 2007 Share Option Scheme; or
  - (iii) the exercise of rights of subscription or conversion under the terms of any warrant issued by the Company or any securities which are convertible into Shares; or
  - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of

the whole or part of a dividend on Shares pursuant to the Articles from time to time,

shall not exceed ten per cent. of the aggregate number of Shares in issue as at the date of passing this Resolution 7 (subject to adjustment in the case of any conversion of any or all of the Shares into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) after the passing of this Resolution 7), and the said approval shall be limited accordingly;

(C) any Shares to be allotted and issued (whether wholly or partly for cash or otherwise) pursuant to the approval in paragraph (A) above shall not be issued at a discount of more than ten per cent. to the Benchmarked Price of such Shares; and

(D) for the purpose of this Resolution 7:

(i) "Relevant Period" means the period from (and including) the date of passing this Resolution 7 until the earlier of:

(a) the conclusion of the next Annual General Meeting of the Company;

(b) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles or by law to be held; and

(c) the revocation or variation of the authority given under this Resolution 7 by an ordinary resolution of the shareholders of the Company in general meeting;

(ii) "Rights Issue" means an offer of Shares open for a period fixed by the Board of Directors to holders of Shares on the register of members (and, if appropriate, to the holders of warrants and other securities which carry a right to

subscribe or purchase shares in the Company on the relevant register) on a fixed record date in proportion to their then holdings of such Shares (and, if appropriate, such warrants and other securities) (subject to such exclusions or other arrangements as the Board of Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any jurisdiction or territory applicable to the Company);

(iii) "Shares" means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares in the Company; and

(iv) "Benchmarked Price" means the higher of:

(a) the closing price of the Shares as quoted on the HKSE on the date of the agreement involving the proposed issue of the Shares under this Resolution 7; and

(b) the average closing price of the Shares as quoted on the HKSE for the 5 trading days immediately prior to the earlier of the date: (1) of announcement of the proposed transaction or arrangement involving the proposed issue of the Shares; (2) of the agreement involving the proposed issue of Shares; and (3) on which the price of the Shares that are proposed to be issued is fixed."

The Chairman conducted the poll on Resolution 7.

As more than 50% of the votes were casted in favour of Resolution 7, the Chairman declared Resolution 7 carried.

Share  
Repurchase  
Mandate

The Chairman proposed Resolution 8, namely, the ordinary resolution to grant a general mandate to the Board of Directors to buy back shares in the Company in the terms set out in the Notice of the Meeting as follows:

Resolution 8

“THAT:

- (A) subject to paragraph (B) below, the exercise by the Board of Directors during the Relevant Period of all the powers of the Company to buy back Shares on the HKSE or any other stock exchange on which the Shares may be listed and which is recognised for this purpose by the Securities and Futures Commission and the HKSE, in accordance with all applicable laws, including the Hong Kong Code on Share Buy-backs and the Listing Rules (as amended from time to time), be and is hereby generally and unconditionally APPROVED;
- (B) the aggregate number of Shares which may be bought back or agreed conditionally or unconditionally to be bought back pursuant to the approval in paragraph (A) above shall not exceed ten per cent. of the aggregate number of the Shares in issue as at the date of passing of this Resolution 8 (subject to adjustment in the case of any conversion of any or all of the Shares into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) after the passing of this Resolution 8), and the said approval shall be limited accordingly; and
- (C) for the purpose of this Resolution 8:
  - (i) “Relevant Period” means the period from (and including) the passing of this Resolution 8 until the earlier of:

- (a) the conclusion of the next Annual General Meeting of the Company;
  - (b) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles or by law to be held; and
  - (c) the revocation or variation of the authority given under this Resolution 8 by an ordinary resolution of the shareholders of the Company in general meeting; and
- (ii) "Shares" means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares in the Company."

The Chairman conducted the poll on Resolution 8.

As more than 50% of the votes were casted in favour of Resolution 8, the Chairman declared Resolution 8 carried.

**Poll Results**            The Chairman advised that the results of the poll would be published on the respective websites of the Company and the HKSE in accordance with the Listing Rules.

**Conclusion**            The Chairman thanked Shareholders for their attendance. There being no further business, the Chairman declared the Meeting closed at about 1:05 p.m. and reminded Shareholders to collect their refreshment packs on their way out.

(Signed by Prof. Frederick Ma)

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Chairman