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MTR CORPORATION LIMITED

香港鐵路有限公司

(the "Company")

(Incorporated in Hong Kong with limited liability)

(Stock code: 66)

SHA TIN TOWN LOT NO.520

SHA TIN, NEW TERRITORIES

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

On 27 October, 2014, the Company accepted an offer from the Government to allow the Company to proceed with the proposed Development subject to the Company's acceptance of the Government's assessment of the Land Premium (being HK\$10,356,010,000 and HK\$1,000 in respect of the non-railway portion of STTL No.520 and the railway portion of STTL No.520 respectively) and of the terms and conditions of the Land Grant. The payment of the non-railway portion of the Land Premium will be funded by both the Developer and the Company with HK\$2,856,010,000 funded by the Developer and HK\$7,500,000,000 funded by the Company. The payment of the railway portion of the Land Premium will be funded by the Company. The offer was made by the Government on 16 September, 2014. As disclosed in the circular of the Company dated 3 September, 2007, (a) STTL No.520 is a specified potential development site which the Government has undertaken (subject to payment of the Land Premium and agreement of the terms and conditions of the Land Grant) to grant to the Company by way of a private treaty grant and (b) the Company shall be obliged to transfer the railway portion of STTL No.520 to KCRC.

The Transaction is a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the requirement for the publication of an announcement in accordance with Rule 14.34 of the Listing Rules.

As the Government is a controlling shareholder of the Company and therefore a connected person of the Company, the Transaction is also a connected transaction for the Company

under Chapter 14A of the Listing Rules.

As disclosed in previous announcements of the Company, the Stock Exchange has granted the Waiver to the Company from certain requirements under Chapter 14A of the Listing Rules which would otherwise apply to connected transactions between the Company and the Government subject to the conditions described below under the heading "Connected Transaction". Had the Waiver not been granted, the Transaction would have been subject to the announcement, the reporting and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

This announcement is made in accordance with the conditions of the Waiver and Chapters 14 and 14A of the Listing Rules. Details of the Transaction will be disclosed in the next annual report of the Company.

Acceptance of the Government's Offer and the Land Grant

On 27 October, 2014, the Company accepted an offer from the Government to allow the Company to proceed with the proposed Development subject to the Company's acceptance of the Government's assessment of the Land Premium (being HK\$10,356,010,000 and HK\$1,000 in respect of the non-railway portion of STTL No.520 and the railway portion of STTL No.520 respectively) and of the terms and conditions of the Land Grant. The payment of the non-railway portion of the Land Premium will be funded by both the Developer and the Company with HK\$2,856,010,000 funded by the Developer and HK\$7,500,000,000 funded by the Company. The payment of the railway portion of the Land Premium will be funded by the Company. The offer was made by the Government on 16 September, 2014.

Under the terms of the Government's offer, a binding contract between the parties arises when the Government receives the Company's acceptance. The Company delivered the acceptance to the Government on 27 October, 2014. The Land Grant, which will contain terms and conditions of the land grant by private treaty of STTL No.520, is expected to be executed within three calendar months from that date. It is proposed that the Development will comprise, inter alia, residential accommodation, other accommodation, post secondary college and parking spaces with an aggregate total gross floor area of not more than 267,480 square metres. The Company is required to pay to the Government the Land Premium. The non-railway portion of the Land Premium of STTL No.520 has been assessed by the Government to be HK\$10,356,010,000 (i) by reference to the full market value of STTL No.520 and (ii) ignoring the presence of the railway. The Company is required to pay (a) a deposit equal to 10% of the Land Premium on 27 October, 2014 and (b) the remaining balance of the Land Premium when the Land Grant is executed.

As disclosed in the circular of the Company dated 3 September, 2007, (a) STTL No.520 is a specified potential development site which the Government has undertaken (subject to payment of the Land Premium and agreement of the terms and conditions of the Land Grant) to grant to the Company by way of a private treaty grant and (b) the Company shall be obliged to transfer the railway portion of STTL No.520 to KCRC.

Reasons for the Transaction

The Company has accepted the Government's offer and proposes to execute the Land Grant in order to be allowed to proceed with the proposed Development. On the basis that the assessed Land Premium in respect of the non-railway portion is considered to be in line with current market values, and having regard to all of the terms and conditions of the Government's offer, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole and that the Company's entering into the Transaction is in the ordinary and usual course of business of the Company.

General

This announcement is made in accordance with (a) Chapter 14 of the Listing Rules and (b) the conditions of the Waiver and Chapter 14A of the Listing Rules.

Discloseable Transaction

The Transaction is a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the requirements for the publication of an announcement in accordance with Rule 14.34 of the Listing Rules.

Connected Transaction

As the Government is a controlling shareholder of the Company and therefore a connected person of the Company, the Transaction is also a connected transaction for the Company under Chapter 14A of the Listing Rules.

As disclosed in previous announcements of the Company, the Stock Exchange has granted the Waiver to the Company from certain requirements under Chapter 14A of the Listing Rules which would otherwise apply to connected transactions between the Company and the Government involving land and land interests subject to certain conditions. Under the Waiver, the Company is required to make an announcement of the Transaction and to disclose details of the Transaction in its next annual report. The Company is also required under the Waiver to make the Transaction subject to the approval of the Board, with the Directors appointed by the Government under section 8 of the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong) and any Director who holds a position in the Government being required to abstain from voting. Accordingly, Professor Chan Ka-keung, Ceajer (represented by his alternate director, Ms. Mable Chan), the Secretary for Transport and Housing, Permanent Secretary for Development (Works) and the Commissioner for Transport disclosed their interest in the Transaction at the meeting of the Board of Directors on 14 October 2014 and they each abstained from voting on the relevant Board resolutions. Had the Waiver not been granted, the Transaction would have been subject to the announcement, the reporting and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Transaction will be disclosed in the next annual report of the Company.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company and its subsidiaries are principally engaged in the following core businesses:

railway design, construction, operation, maintenance and investment in Hong Kong, the Mainland of China and a number of major overseas cities; project management in relation to railway and property development businesses; station commercial business including leasing of station retail space, leasing of advertising space inside trains and stations, and enabling of telecommunication services on the railway system in Hong Kong; property business including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and the Mainland of China; and investment in Octopus Holdings Limited.

Definitions

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	means the board of Directors;
“Developer”	means Lucrative Venture Limited, the successful tenderer in the tender to develop STTL No.520;
“Development”	means the development of STTL No.520;
“Directors”	means members of the board of Directors of the Company;
“Government”	means the Government of Hong Kong;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People's Republic of China;
“KCRC”	means the Kowloon-Canton Railway Corporation, a statutory corporation established under the Kowloon-Canton Railway Corporation Ordinance (Cap. 372), wholly owned by the Financial Secretary Incorporated on behalf of the Government;
“Land Grant”	means the terms and conditions of the land grant by private treaty of STTL No.520 to be entered into between the Company and Government;
“Land Premium”	means the land premium for STTL No.520;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“STTL No.520”	means Sha Tin Town Lot No.520, Sha Tin, New Territories;
“Transaction”	means the Company's acceptance of an offer from the Government to allow the Company to proceed with the proposed development on

STTL No.520 subject to the Company's acceptance of the Government's assessment of the Land Premium and of the terms and conditions of the Land Grant; and

"Waiver"

means the waiver granted by the Stock Exchange to the Company from the requirements under Chapter 14A of the Listing Rules whose terms were contained in announcements made by the Company on 13 January 2005 and 24 October 2005 (as amended from time to time and subject to certain conditions).

By Order of the Board

Gillian Elizabeth Meller

Company Secretary
MTR Corporation Limited

Hong Kong, 27 October, 2014

Members of the Board: Dr. Raymond Ch'ien Kuo-fung (*Chairman*)**, Pamela Chan Wong Shui*, Dr. Dorothy Chan Yuen Tak-fai*, Vincent Cheng Hoi-chuen*, Christine Fang Meng-sang*, Edward Ho Sing-tin*, Kwan Yuk-choi*, Lucia Li Li Ka-lai*, Professor Frederick Ma Si-hang*, Alasdair George Morrison*, Ng Leung-sing*, Abraham Shek Lai-him*, T. Brian Stevenson*, Benjamin Tang Kwok-bun*, Professor Chan Ka-keung, Ceajer (Secretary for Financial Services and the Treasury)**, Secretary for Transport and Housing (Professor Anthony Cheung Bing-leung)**, Permanent Secretary for Development (Works) (Wai Chi-sing)** and Commissioner for Transport (Ingrid Yeung Ho Poi-yan)**

Members of the Executive Directorate: Lincoln Leong Kwok-kuen (*Acting Chief Executive Officer*), Morris Cheung Siu-wa, Chew Tai Chong, Jacob Kam Chak-pui, Stephen Law Cheuk-kin, Gillian Elizabeth Meller, David Tang Chi-fai and Jeny Yeung Mei-chun

* *independent non-executive Director*

** *non-executive Director*

This announcement is made in English and Chinese. In the case of any inconsistency, the English version shall prevail.