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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)

CONNECTED TRANSACTION CONSTRUCTION CONTRACT WITH CONNECTED PERSON AT SUBSIDIARY LEVEL

THE CONTRACT

On 13 December 2023, the Company entered into the Contract with the Contractors for the construction of the Works in relation to the Tuen Mun South Extension (the "TME Project") at the Contract Sum of HK\$6,220,587,500.

LISTING RULE IMPLICATIONS

CRBC (being one of the two Contractors and a wholly owned subsidiary of CCCC) is a connected person of the Company at the subsidiary level within the meaning of the Listing Rules. Accordingly, the transaction contemplated under the Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since (i) CRBC is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Contract and the transaction contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the transaction contemplated under the Contract are fair and reasonable, on normal commercial terms or better terms and in the interests of the Company and the Shareholders as a whole, the Contract and the transaction contemplated thereunder are only subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 1% but all of them are less than 5%, the Contract and the transaction contemplated thereunder are also only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE CONTRACT

On 13 December 2023, the Company entered into the Contract with the Contractors for the construction of the Works in relation to the TME Project. The Contract was procured by open prequalification and a competitive tender process. Prior to the Company's entry into the Contract with the Contractors, an independent review group undertook a review of the tender assessment process. There were no material differences between the findings of the independent review group and the tender assessment team.

The Contract adopts the New Engineering Contract in substantially the same form as the Company's conditions of contract adopted for its current railway extension projects and contains (inter alia) the following terms:

Parties

- (1) The Company; and
- (2) the Contractors (being CRBC and BKCL, who have formed an unincorporated joint venture under which these two companies have a joint and several responsibility for the execution of the Works).

Scope of Works

The work scope is for the design and construction of the Works.

Construction Period

It is estimated that the construction of the TME Project will commence in December 2023 and will be completed in 2030.

Payment Terms

Under the terms of the Contract, the Company is obliged to pay to the Contractors the cost for the Works based on the certain defined costs set out in the Contract upon the submission of payment applications by the Contractors in respect thereof incurred during the payment period.

Consideration

The Contract was procured by open prequalification and a competitive tender process. The final Contract Sum was determined after arm's length commercial negotiations between the parties to the Contract which was based on the submitted tender total with appropriate adjustments to reflect scope optimisation.

The Company intends to satisfy the Contract Sum from its internal cash resources and/or external financing.

Obligations of the Contractors

Under the terms of the Contract, the principal obligation of the Contractors is to undertake the design and construction of the Works.

The Contractors shall have joint and several responsibility for the execution of the Works, whereby both parties shall be collectively and individually responsible for the fulfilment of the Contractors' obligations.

The Contractors shall be liable for claims and proceedings from third parties arising from the execution of the Works, loss or damage to the Works, loss or damage to property owned by

the Company and death or bodily injury to the employees of the Contractors. The Contractors shall indemnify the Company against costs incurred by the Company in respect of such matters.

The Contractors shall effect and maintain professional indemnity insurance with a limit of HK\$100,000,000 for each and every occurrence and in aggregate. The Contractors shall provide a performance bond in respect of its obligations under the Contract.

Limitations of liability of the Contractors

The total liability of the Contractors to the Company for all damages (liquidated damages and general) for delay shall not exceed 10% of the target cost plus fees as calculated under the Contract.

The liability of the Contractors shall otherwise be limited in accordance with common law principles associated with remoteness of loss and reasonable foreseeability.

Obligations of the Company

Under the terms of the Contract, the Company is obliged to pay to the Contractors the cost for the Works based on the certain defined costs set out in the Contract upon the submission of payment applications by the Contractors in respect thereof incurred during the payment period.

If the final total cost of the Works exceeds or is less than the target cost for the Works (i.e., the Contract Sum of HK\$6,220,587,500), the deficit or, as the case may be, the excess will be borne by or, as the case may be, distributed to the Company and the Contractors on a basis calculated in accordance with the Contract.

The target cost is subject to price fluctuation adjustments and from time to time the scope of the Works may vary and the Company may be obliged to revise the target cost and associated fee payable to the Contractors in accordance with the terms of the Contract.

The Company shall effect and maintain for the benefit of the Contractors, contractor's all risks insurance with an indemnity limit equal to the Contract value and third party liability insurance with an indemnity limit of HK\$400,000,000 for each occurrence and unlimited in aggregate.

Termination

The Company may at any time terminate the Contract through the issuing of a termination certificate to the Contractors in accordance with the terms of the Contract. The payment due on termination will be determined in accordance with the terms of the Contract. Any termination is without prejudice to any accrued rights of the Company for breach of contract.

INFORMATION RELATING TO THE PROJECT

The TME Project comprises a 2.4 kilometre southward extension of the Tuen Ma Line from the existing Tuen Mun Station and includes the construction of viaducts, a river crossing and two new stations at Area A16 and Tuen Mun South. The project also includes the reprovisioning of the existing Tuen Mun Swimming Pool (which is located at the site of the future A16 Station) and various community facilities.

REASONS FOR AND BENEFITS OF THE CONTRACT

The TME Project was authorised under the Railways Ordinance on 22 June 2022.

As disclosed in the Company's announcement dated 5 September 2023, the Company had entered into the project agreement with the Secretary for Transport and Logistics for and on behalf of the Government of Hong Kong for the financing, design, construction, completion, pre-operation, operation and maintenance of the Tuen Mun South Extension.

The Company entered into the Contract with the Contractors for the construction of the Works in relation to the TME Project. The Contractors comprise of two leading contractors with both local and overseas expertise in civil engineering and infrastructure projects. The Company determined that the Contractors' tender was the most advantageous to the Company from a technical and financial perspective.

The TME Project is located in the western New Territories and is intended to improve accessibility to the south of Tuen Mun town centre by providing train services to serve the communities at Tuen Mun South and the Tuen Mun Ferry Pier.

The two new stations, namely the A16 Station and the Tuen Mun South Station, will serve communities in the region by providing commuters with a safe, reliable, efficient, and environmentally friendly railway service.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transaction contemplated under the Contract are on normal commercial terms, are in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULE IMPLICATIONS

CRBC, being one of the two Contractors, is a wholly owned subsidiary of CCCC. As at the date of this announcement, the Company controls 60% of the voting power at any general meeting of MTA and MTS whereas CCCC, through its subsidiaries John Holland MTA Pty Ltd and John Holland Sydney NRT Pty Ltd, respectively controls 20% of the voting power at any general meeting of MTA and MTS.

CRBC is therefore a connected person of the Company at the subsidiary level within the meaning of the Listing Rules. Accordingly, the transaction contemplated under the Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, BKCL is a third party independent of the Company and its connected persons.

Since (i) CRBC is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Contract and the transaction contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the transaction contemplated under the Contract are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Contract and the transaction contemplated thereunder will constitute connected transactions which are only subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 1% but all of them are less than 5%, the Contract and the transaction contemplated thereunder are also only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Group is principally engaged in the following core businesses: railway design, construction, operation, maintenance and investment in Hong Kong, Macao, Mainland China and a number of overseas cities; project management in relation to railway and property development businesses in Hong Kong and Mainland China; 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 Mainland China; investment in Octopus Holdings Limited; provision of railway management, engineering and technology training; and investment in relevant new technologies.

The Contractors are CRBC and BKCL, who have formed an unincorporated joint venture to undertake the Works. CRBC and BKCL respectively hold 75% and 25% of the economic interests in the unincorporated joint venture. CRBC is principally engaged in global civil engineering and construction projects such as highways, railways, bridges, ports and tunnels, including in the Hong Kong market where it has a well-established presence. BKCL is principally engaged in civil engineering and building construction works mainly in Hong Kong.

None of the Directors has a material interest in the Contract and hence, none of the Directors was required to abstain from voting at the Board meeting to approve the Contract.

DEFINITIONS

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

“Board”	means the board of directors of the Company;
“BKCL”	means Build King Construction Limited, a company incorporated in the United Kingdom. BKCL is a wholly owned subsidiary of Build King Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 240);
“CCCC”	means China Communications Construction Company Limited, a joint stock limited company established under the laws of the People’s Republic of China, the H shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1800);
“Company”	means MTR Corporation Limited;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Contract”	means the construction contract between the Company and the Contractors, a summary of which is set out in the section titled “THE CONTRACT” in this announcement;

“Contract Sum”	means the sum payable by the Company as consideration to the Contractors for the construction of the Works pursuant to the Contract;
“Contractors”	are CRBC and BKCL, who have formed an unincorporated joint venture to undertake the Works;
“CRBC”	means China Road and Bridge Corporation, a company incorporated in the People’s Republic of China;
“Director”	means a member of the Board;
“Group”	means the Company and its subsidiaries;
“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;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MTA”	means Metro Trains Australia Pty Ltd, a company incorporated in Australia;
“MTS”	means Metro Trains Sydney Pty Ltd, a company incorporated in Australia;
“New Engineering Contract”	means the standard form contract adopted in several countries, including in Hong Kong by the Development Bureau of the Government of Hong Kong for public works contracts and the Company;
“Shareholders”	means the shareholders of the Company;
“Tuen Mun South Extension”	has the meaning ascribed to that term in the Company’s announcement titled “Inside Information: Execution of New Territories Project Agreements for Tuen Mun South Extension and for Kwu Tung Station” dated 5 September 2023;
“Works”	means any item of work which is described as such under the Contract including but not limited to: <ul style="list-style-type: none"> (a) a new station at Tuen Mun Area 16, the A16 Station; (b) a new station at Tuen Mun south, the Tuen Mun South Station; (c) railway viaducts and Tuen Mun River Bridge which connect the new stations to the existing Tuen Ma Line at the existing Tuen Mun Station;

- (d) related building services and architectural builder's works and finishes; and
- (e) reprovisioning of community facilities; and

“%” means per cent.

By Order of the Board
Gillian Elizabeth Meller
Company Secretary

Hong Kong, 13 December 2023

As at the date of this announcement:

Members of the Board: Dr Rex Auyeung Pak-kuen (*Chairman*)**, Dr Jacob Kam Chak-pui (*Chief Executive Officer*), Andrew Clifford Winawer Brandler*, Dr Bunny Chan Chung-bun*, Walter Chan Kar-lok*, Dr Dorothy Chan Yuen Tak-fai*, Cheng Yan-kee*, Hui Siu-wai*, Sunny Lee Wai-kwong*, Rose Lee Wai-mun*, Jimmy Ng Wing-ka*, Dr Carlson Tong*, Sandy Wong Hang-yee*, Adrian Wong Koon-man*, Professor Anna Wong Wai-kwan*, Christopher Hui Ching-yu (*Secretary for Financial Services and the Treasury*)**, *Secretary for Transport and Logistics (Lam Sai-hung)***, *Permanent Secretary for Development (Works) (Ricky Lau Chun-kit)*** and *Commissioner for Transport (Angela Lee Chung-yan)***

Members of the Executive Directorate: Dr Jacob Kam Chak-pui, Jeny Yeung Mei-chun, Margaret Cheng Wai-ching, Linda Choy Siu-min, Carl Michael Devlin, Herbert Hui Leung-wah, Dr Tony Lee Kar-yun, Gillian Elizabeth Meller, David Tang Chi-fai and Sammy Wong Kwan-wai

* *independent non-executive Director*

** *non-executive Director*

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