

**MTR Signs Agreement with Government on Proposed Arrangements
on Additional Funding for Completion of XRL Project**

The MTR Corporation has reached an agreement ("XRL Agreement") with the Hong Kong Special Administrative Region (HKSAR) Government today (30 November 2015) to demonstrate our commitment to take forward the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link Project ("Project") which is expected to commence commercial operations in the third quarter of 2018. The XRL Agreement, which includes a proposal to resolve the additional funding for the Project, is subject to approval by MTR's independent shareholders as well as the approval of the HKSAR Legislative Council.

Key elements of the proposed arrangements include the following:

1. The Government to bear and finance the Project cost up to HK\$84.42 billion¹ (an increase of up to HK\$19.42 billion (Current Cost Increase) from the original Project cost estimate of HK\$65 billion);
2. MTR to bear and finance any Project costs exceeding HK\$84.42 billion (if any) except in limited circumstances specified in the XRL Agreement;
3. MTR to pay a Special Dividend of HK\$4.40 per share in aggregate, in two equal tranches (of HK\$2.20 per share in each tranche). These are expected to be paid in the second half of 2016 and the second half of 2017 respectively (total dividend to be paid of approximately HK\$25.76 billion);
4. Other terms of the Entrustment Agreements previously entered into relating to the Project between the Government and MTR remain except for amendments required to reflect the XRL Agreement's proposed arrangements; and
5. The Government reserves its right to seek a determination of MTR's responsibility (if any) under the Entrustment Agreements for the Current Cost Increase through arbitration, after the commencement of commercial operations on the Project.

(Summary of the XRL Agreement in Annex)

"We believe the proposed arrangements provide a pragmatic and viable solution to take the Project forward," Dr Raymond K F Ch'ien, Chairman of MTR Corporation said at the joint news conference held with the Secretary for Transport and Housing Professor Anthony Cheung to announce the way forward. "The Corporation is aligned with the Government to see through delivery of the Express Rail Link project, which is important in enhancing Hong Kong's connectivity and ensuring our long-term competitiveness. Indeed, the XRL Agreement was reached after detailed discussions with the Government and has taken into account the interests of different stakeholders. Our underwriting of any further cost increase above HK\$84.42 billion and the declaration of the Special Dividend, made possible by our healthy financial position, are major steps forward to demonstrate our commitment to this Project. "

The amount of Special Dividend to be received by the Government according to the proposed arrangements is HK\$19.51 billion, which is approximately equal to the Current Cost Increase of HK\$19.42 billion. The latest cost estimate of HK\$84.42 billion is the result of a detailed review conducted by, and discussions between, the Government and MTR Corporation on the HK\$85.3 billion cost to complete estimate that the Corporation submitted on 30 June 2015.

"The latest estimate of HK\$84.42 billion has been reviewed by independent experts and we are confident that the Express Rail Link can be completed within this amount, given that 74.6% of the overall works have now been finished," said Dr Ch'ien. "We will continue to use our best endeavours to deliver the Express Rail Link Project in accordance with the prevailing Entrustment Agreements and I urge our independent shareholders, Legislative Councillors and members of the public to support the proposed arrangements put forward today."

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About MTR Corporation

MTR Corporation is regarded as one of the world's leading railway operators for safety, reliability, customer service and cost efficiency. In its home base of Hong Kong, the Corporation operates nine commuter railway lines, a Light Rail network and a high-speed Airport Express link on which more than 5.4 million passenger trips are made on a normal week day. Another 4.9 million passenger trips are made on the rail services it operates outside Hong Kong in the Mainland of China, the United Kingdom, Sweden and Australia. In addition, the Corporation is involved in a range of railway construction projects as well as railway consultancy and contracting services around the world. Leveraging on its railway expertise, the Corporation is involved in the development of transit-related residential and commercial property projects, property management, shopping malls leasing and management, advertising media and telecommunication services.

For more information about MTR Corporation, please visit www.mtr.com.hk.

¹ The Cost to Complete reduced from previous estimate of HK\$85.3 billion to HK\$84.42 billion due to 3 major elements:

- (i) Confirmation that 5 out of 15 tracks in West Kowloon Terminus which are not required in the initial period of operations will only be fitted-out at a later date and, therefore, the costs relating to such fit-out have been deducted.
- (ii) Lowered additional project management cost.
- (iii) Lowered Project cost contingency and adjustments to a small number of other items.

Appendix

Summary of the XRL Agreement

A. *Financing of Current Cost Overrun*

Government shall bear and finance the Current Cost Overrun.

B. *Financing of Further Cost Overrun*

The Company shall bear and finance the Further Cost Overrun, if any. The Company shall have no obligation to bear and finance such portion of the Further Cost Overrun that:

- (i) results from any change in any ordinance or subsidiary legislation enacted or made after the execution of the XRL Agreement which affects directly the Express Rail Link Project and/or the Entrustment Activities; or
- (ii) (a) comprises any costs or expenses (including costs and/or expenses arising directly or indirectly from the suspension and/or any subsequent re-commencement of the relevant Third Party Contracts including, without limitation, any additional costs and expenses in respect of sub-contractors of any tier, suppliers and workers) arising as a direct or indirect result of the Company complying with a written notice from Government instructing the Company to commence suspending Third Party Contracts; or (b) results from the occurrence of a force majeure; or (c) results from the suspension or termination of the EA2 otherwise than as permitted in the paragraph immediately below.

During the period when the Company is bearing and financing the Further Cost Overrun, Government shall not suspend or terminate the Express Rail Link Project and/or EA2 except as a result of the Company breaching EA2 provided Government does so in accordance with EA2.

If the Company becomes aware that the Entrustment Cost will exceed HK\$84.42 billion, it shall use its best endeavours to procure the agreement of relevant Third Parties that:

- (a) such Third Parties will not seek to enforce their rights under the Deed Poll to receive payment from Government of amounts of the Entrustment Cost (if any) that form part of the Further Cost Overrun; and
- (b) such Third Parties will seek payment from the Company of any amount of the Entrustment Cost that forms part the Further Cost Overrun.

In the event that, notwithstanding B.(a) and (b) immediately above, Government is required to, and does, pay a Third Party for an amount of the Entrustment Cost that forms part of the Further Cost Overrun, the Company shall, as soon as reasonably practicable, indemnify Government for such amount paid by Government (excluding any amount referred to in B.(i) or (ii) above) provided Government has paid such amount in accordance with the Deed Poll and EA2.

C. *The Special Dividend*

The Company shall pay the Special Dividend of HK\$4.40 in aggregate per Share as an interim dividend.

The Special Dividend shall be paid in two equal tranches:

- (i) the first tranche will be paid on a date which will be determined by the Board and will be announced by the Company in accordance with the Listing Rules (being a date which is within a reasonable period following Completion) to Shareholders whose names appear on the Register on a date which will be determined by the Board and will be announced by the Company in accordance with the Listing Rules; and
- (ii) the second tranche will be paid on a date which will be determined by the Board and will be announced by the Company in accordance with the Listing Rules (being approximately 12 months after payment of the first tranche of the Special Dividend referred to in C.(i) above) to Shareholders whose names appear on the Register on a date which will be determined by the Board and will be announced by the Company in accordance with the Listing Rules.

D. *EGM*

The Company shall convene an EGM with a view to obtaining the Independent Shareholder Approval.

E. *Cost Overrun Arbitration*

Government reserves the right to refer the question of the Company's liability (if any) under EA1 and EA2 for the Current Cost Overrun (including any question Government may have regarding the validity of the Liability Cap) to arbitration in accordance with the arbitration provisions in EA2, save that any such referral will take place after the commencement of commercial operations on the Express Rail Link and will not require a prior referral to the senior executives committee or to mediation (as contemplated in EA2).

F. *Liability Cap*

If the Arbitrator does not determine that the Liability Cap is invalid and determines that, but for the Liability Cap, the Company's liability under EA1 and EA2 for the Current Cost Overrun would exceed the Liability Cap, then the Company shall:

- (i) bear such amount as is awarded to Government up to the Liability Cap;
- (ii) seek the approval of its Independent Shareholders for the Company to bear the Excess Liability; and
- (iii) if the approval of the Independent Shareholders referred to in F. (ii) immediately above is obtained, pay the Excess Liability to Government.

G. *Conditions*

- (i) The Arrangements (including the payment of the Special Dividend) are conditional on:
 - (a) Independent Shareholder Approval being granted; and
 - (b) LegCo Approval being granted,

prior to the Back Stop Date and will become effective when such conditions are satisfied.
- (ii) In the event that:
 - (a) an alternative solution (as referred to in EA2) which is satisfactory to Government and the Company is not implemented; and
 - (b) Government determines that the suspension of one or more Third Party Contracts in accordance with their terms will have to commence in order that the Entrustment Cost does not exceed HK\$65 billion,

Government may instruct the Company by written notice to commence the suspension process referred to in G.(ii) immediately above and the Company will, as soon as reasonably practicable, comply with such instruction.

- (iii) In the event that, as a direct or indirect result of the Company complying with a written notice from Government referred to immediately above, any additional costs or expenses arise (including costs and/or expenses arising directly or indirectly from the suspension and/or any subsequent re-commencement of the relevant Third Party Contracts including, without limitation, any additional costs and expenses in respect of sub-contractors of any tier, suppliers and workers), Government shall bear and finance such costs and expenses (and the Company shall have no responsibility whatsoever to bear and finance any such costs and expenses).

- (iv) Unless the Company receives a written notice from Government, the Company shall not commence suspending any Third Party Contract, for the purpose of ensuring that the Entrustment Cost does not exceed HK\$65 billion (and shall continue to administer the Third Party Contracts in such circumstances).
- (v) The Company's liability to Government arising out of, or in connection with G. (ii) and (iv) above shall be subject to the Liability Cap.

H. Amendments to EA2

Certain amendments shall be made to EA2 to reflect the arrangements contained in the XRL Agreement, including:

- (i) an increase in the Project Management Cost payable to the Company to HK\$6.34 billion; and
- (ii) the Revised Programme.

I. Integrated Package

The Arrangements constitute an integrated package of terms.

J. No Precedent

The XRL Agreement and the Arrangements are specifically tailored to address the particular circumstances of the Express Rail Link Project and shall not serve as a precedent or create any expectations for the manner in which any other project will be addressed.

"Arbitrator"	means the arbitral panel appointed, in accordance with EA2, for the purposes of the Cost Overrun Arbitration (if any);
"Arrangements"	means all the arrangements in aggregate contained in the XRL Agreement which, together, form an integrated package of terms;
"Associates"	has the meaning given to that term in the Listing Rules;
"Back Stop Date"	means the earlier of (i) the date of a notice to terminate EA2 that may be served by the Company on Government under EA2; and (ii) 30 September 2016;
"Board"	means the board of Directors of the Company;

“Companies Ordinance”	means the Companies Ordinance (Cap. 622 of the Laws of Hong Kong);
“Company”	means MTR Corporation Limited;
“Completion”	means the date on which the XRL Agreement and the Arrangements become fully unconditional and effective in accordance with the XRL Agreement following the satisfaction of the conditions set out in the XRL Agreement as contemplated in Section G of the Appendix;
“Cost Overrun Arbitration”	means an arbitration (if any) commenced in accordance with EA2 to determine the Company’s liability (if any) for the Current Cost Overrun under EA1 and EA2;
“Current Cost Overrun”	means that portion of the Entrustment Cost (up to a maximum of HK\$84.42 billion) that exceeds the Project Control Total;
“Deed Poll”	means the deed poll executed by Government on 26 January 2010;
“Director”	means a member of the Board
“Dollars” or “HK\$”	denotes the lawful currency of Hong Kong;
“EA1”	means the preliminary entrustment agreement for the design of, and site investigation and procurement activities in relation to the Express Rail Link between Government and the Company dated 24 November 2008;
“EA2”	means the entrustment agreement for the construction and commissioning of the Express Rail Link between Government and the Company dated 26 January 2010;
“EGM”	means a general meeting of the Shareholders convened in accordance with the Listing Rules and the Companies Ordinance;
“Entrustment Activities”	has the meaning given to that term in EA2;
“Entrustment Cost”	means the total cost of the Entrustment Activities under EA2;
“Excess Liability”	means the amount of the Company’s liability (if any), for the Current Cost Overrun, determined by the Arbitrator under the Cost Overrun Arbitration that exceeds the Liability Cap;

“Express Rail Link” and “XRL”	the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link;
“Express Rail Link Project”	means the project of constructing and commissioning the Express Rail Link;
“FSI”	means the Financial Secretary Incorporated (incorporated under the Financial Secretary Incorporation Ordinance (Cap.1015 of the Laws of Hong Kong));
“Further Cost Overrun”	means the amount of the Entrustment Cost (including Project Management Cost), if any, that exceeds HK\$84.42 billion;
“Government”	means the Government of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region;
“Independent Shareholders”	means Shareholders of the Company excluding the FSI and any Associates of the FSI and/or Government;
“Independent Shareholder Approval”	means the approval of the XRL Agreement and the Arrangements given by the Independent Shareholders at an EGM;
“LegCo”	means the Legislative Council of Hong Kong;
“LegCo Approval”	means the approval by LegCo (or the relevant committee(s) thereof) of the additional funding required for the Current Cost Overrun in order for Government to be able to perform its obligations under the XRL Agreement and the Arrangements;
“Liability Cap”	means the limit on the Company’s liability contained in Clause 4.11 of EA2;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Project Control Total”	means HK\$65 billion;
“Project Management Cost”	means the amount payable by Government to the Company pursuant to EA2 (as amended by the XRL Agreement) and referred to therein as the “Project Management Cost” (as the same is increased in accordance with EA2, as contemplated in Section H of the Appendix);

“Register”	means the register of Shareholders kept by the Company in accordance with the Companies Ordinance;
“Revised Programme”	means the revised programme for the completion of the XRL Project which the Company reported to Government on 30 June 2015;
“Share”	means an issued share in the share capital of the Company;
“Shareholder”	means the holder of a Share;
“Special Dividend”	means a special dividend in the aggregate amount of HK\$4.40 per Share;
“Third Party”	has the meaning given to that term in EA2;
“Third Party Contract”	has the meaning given to that term in EA2;
“XRL Agreement”	means the Deed of Agreement in relation to the Express Rail Link between Government and the Company dated 30 November 2015.