

MTR Corporation Limited 香港鐵路有限公司

Minutes of the General Meeting (the "Meeting") of the Shareholders 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 Monday, 1 February 2016 at 11:00 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), Mr Abraham Shek Lai-him (Board Member and Chairman of Nominations Committee), Dr Eddy Fong Ching (Board Member and Chairman of Audit Committee), Mr Edward Ho Sing-tin (Board Member, Chairman of Capital Works Committee and Chairman of the Independent Board Committee ("IBC")), and Mr Alasdair George Morrison (Board Member and Chairman of Risk Committee).

Other Members of the Board present: Mrs Pamela Chan Wong Shui, 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, Dr Allan Wong Chi-yun 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: Mr Morris Cheung Siu-wa (European Business Director), Dr Jacob Kam Chak-pui (Operations Director), Mr Stephen Law Cheuk-kin (Finance Director), Ms Gillian Elizabeth Meller (Legal Director and Secretary), 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).

Mr Daniel Shim Ming-yi (Acting Human Resources Director).

In Attendance Ms Ivy Cheung and Mr Andrew Weir (representatives of KPMG – the Company’s Auditors and the Reporting Accountant);

Mr Dennis Cassidy and Mr Ronnie Lee (representatives of Anglo Chinese Corporate Finance, Limited (“Anglo Chinese”) – the Independent Financial Adviser (“IFA”) to the Company’s IBC and the Independent Shareholders);

Mr Mike Allen and Mr Timothy Cradock (representatives of EC Harris (Hong Kong) Limited, the independent consultant engaged by the IFA);

Mr Peter Brien, Mr Jason Webber and Mr Jacky Man (representatives of Slaughter & May – the Company’s External Legal Advisers); and

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

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 (i.e. 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 others to attend the Meeting in accordance with Article 65 of the Company's Articles of Association (the "Articles").

The Chairman also noted that most of the Members of the IBC, which had been set up in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to advise Independent Shareholders on how to vote on the Express Rail Link ("XRL") Agreement, were present at the Meeting, with the exception of Dr Dorothy Chan Yuen Tak-fai, who was unable to attend the Meeting due to other commitments.

The Chairman advised that members of the media had also been invited to observe the proceedings of the Meeting via an audio-visual link and, 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 also informed Shareholders that they could raise questions relating to the proposed Resolution, which was related to the XRL Agreement and the XRL Arrangements (including the Special Dividend) (all as defined in the circular issued by the Company to Shareholders in relation to the Meeting as more particularly described hereinafter), later on at the 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 and the Circular dated 7 January 2016 describing the XRL Agreement and the proposed XRL Arrangements including the Special Dividend, which had been distributed to Independent Shareholders and uploaded onto both the Stock Exchange's and the Company's websites in early-January, were taken as read.

The Chairman noted that the Meeting had been convened to consider one Resolution only and, in order to pass the Resolution, approval from a simple majority of the Independent Shareholders present and voting, either in person or by proxy, would be required. The Chairman also noted that Government and its associates and close associates were required to abstain from voting with respect to the Resolution.

The XRL Arrangements

The Chairman gave a summary of the XRL Arrangements, noting that the Company had made an announcement on 30 November 2015 that it had entered into the XRL Agreement with Government relating to the additional funding and completion of the XRL project. The XRL Agreement contained an integrated package of terms and provided that:

1. the Company would bear and finance the portion of the XRL project cost exceeding HK\$84.42 billion (if any), except for certain agreed excluded costs;
2. the Company would pay a Special Dividend of HK\$4.40 in aggregate per share in two equal tranches of HK\$2.20 per share, in cash;
3. certain amendments would be made to the existing entrustment arrangements entered into in 2010 relating to the XRL project, including an increase in the project management fee payable to the

Company to HK\$6.34 billion;

4. Government reserved its right to refer to arbitration, after commencement of operations on the XRL, the question of the Company's liability for the cost overrun up to HK\$84.42 billion (if any); and
5. the XRL Agreement would be subject to the approval of: (a) the Company's Independent Shareholders, and (b) the Legislative Council ("LegCo") for Government's additional funding obligations, within the agreed timeframe.

Reasons for
and Benefits of
the XRL
Agreement

The Chairman noted that the Board considered that the XRL Arrangements were fair and reasonable and in the interests of the Company and its shareholders, and hence the Board recommended Independent Shareholders to vote in favour of the Resolution for the following reasons:

1. the XRL Agreement provided a pragmatic and viable solution to take forward and complete the XRL project, which was an important project for both the Company and Hong Kong and was 75% complete already;
2. the proposed Special Dividend, the first tranche of which was expected to be paid in the second half of 2016 and the second tranche of which was expected to be paid in the second half of 2017, would provide a sizable one-off return to shareholders (approximately 4.2 times the Company's total 2014 dividend of HK\$1.05 per share) without affecting the Company's ability to continue its progressive regular dividend policy; and
3. the Company intended to finance the payment of the Special Dividend through additional borrowings, which offered an opportunity for the Company to improve its capital structure and capital efficiency while preserving financial flexibility. There had been no change to the Company's credit rating since the

announcement regarding the XRL Agreement on 30 November 2015 and the Company intended to continue its capital expenditure and long term growth plans.

The Chairman noted that:

1. Shareholders would need to make their own decision regarding the XRL Agreement (including the Special Dividend);
2. an IBC, which comprised all 13 Independent Non-Executive Directors (“INEDs”) of the Company, had been formed to advise the Independent Shareholders on the XRL Agreement and the XRL Arrangements, and their letter of advice was set out in the Circular dated 7 January 2016;
3. Anglo Chinese had been engaged as the IFA to advise both the IBC and the Independent Shareholders on the terms of the XRL Agreement and the XRL Arrangements, and their letter of advice was also set out in the Circular dated 7 January 2016;
4. both the IBC and the IFA considered the terms of the XRL Agreement and the XRL Arrangements to be fair and reasonable and in the interests of the Company and its shareholders (including Independent Shareholders) as a whole, and recommended Shareholders to vote in favour of the Resolution;
5. if the Resolution was approved by Shareholders, the Company would work with Government in obtaining LegCo approval for the additional construction cost of up to HK\$19.42 billion;
6. upon receiving the aforesaid LegCo approval, the XRL Agreement would become fully effective and the Company would then make arrangements for the payment of the Special Dividend;

7. approval from both the Company's Independent Shareholders and LegCo were required for the XRL Agreement to become fully effective and the Special Dividend to be paid; if either approval was not obtained within the prescribed timeframe, the XRL Agreement would lapse and the Special Dividend would not be paid; and
8. both the Company and Government were committed to the successful delivery of the XRL project with a target to enable commercial operations of the XRL to commence in the third quarter of 2018.

The Chairman, on behalf of the Board members, urged Shareholders to support the Resolution in the interests of the Company and Hong Kong as a whole.

Voting Procedures

Before considering the Resolution, the Chairman exercised his right as the Chairman of the Meeting under Article 71 of the Articles to call a poll on the Resolution to be proposed at the Meeting.

In order to minimise the time spent on counting the votes, the Chairman also 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 the 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 advised that, as the electronic voting system would be used to count the votes, it was expected that the results of the poll could be displayed on the screen before the end of the Meeting. In addition, the poll results would be published on the respective websites of the Company and The Stock Exchange of Hong Kong Limited ("HKSE") in accordance with the Listing Rules.

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

Resolution

The Chairman reiterated that each Member of the Board (excluding Members who were Government officials), the IBC and the IFA, all recommended Shareholders to vote in favour of the Resolution set out in the Notice of the General Meeting. The Chairman also pointed out that both Mr Edward Ho Sing-tin, Chairman of the IBC, and Mr Dennis Cassidy, Head of Corporate Finance of the IFA, were present at the Meeting.

Before the Chairman formally proposed the ordinary Resolution - "That for the purposes of implementing the XRL Arrangements, the XRL Agreement be and is hereby approved, confirmed and ratified; the Special Dividend be and is hereby declared and shall be payable, following satisfaction of the conditions contained in the XRL Agreement, in the manner and on the dates determined by the Board; and that the CEO of the Company or any two Members of the Board or any two Members of the Executive Directorate of the Company be and is/are hereby authorised to do all such further acts and things, agree such amendments or modifications and execute such further documents and deeds (and if necessary apply the common seal of the Company thereto) and take all steps which in his/her opinion may be necessary, desirable and expedient to implement and/or give effect to the terms of the XRL Agreement and the XRL Arrangements and the transactions contemplated thereunder.", he asked whether there were any questions about the XRL Agreement and the XRL Arrangements.

The Chairman noted that both he himself and the Company valued the opportunity to communicate with Shareholders and listen to suggestions from Shareholders. However, in order to ensure that the proceedings of the Meeting could be conducted smoothly and efficiently for its purpose, he noted that, for questions not related to the XRL Agreement and the XRL Arrangements, such as questions on railway operations or related businesses, property management, shareholders' services or matters that

were personal in nature, Shareholders should approach the Company's helpers at the Customer Service Counter and the Shareholders Counter located outside the entrance of the Meeting hall.

The Chairman thanked Shareholders in advance for their understanding and cooperation.

Mr Lee Kwok Tim, Shareholder, noted that he was a Senior Engineer at the Highways Department before he retired in 2010, and that he had done project consulting work on many infrastructure works projects during his time with Government over the past 20 to 30 years. Mr Lee noted that the majority of projects encountered cost overruns and programme delays for various reasons, especially if the projects involved underground works or reclamation. Mr Lee expressed his surprise towards the Company's agreement to underwrite any further cost overrun of the XRL project in excess of HK\$84.42 billion. Mr Lee opined that the cost overrun could involve hundreds of millions of dollars and small Shareholders should not be sacrificed for the benefit of the whole of Hong Kong.

Mr Lee further opined that:

1. the cost overrun was a problem for Government and Government should not ask the Company to shoulder the responsibility;
2. at last year's Annual General Meeting, the then Chairman, Dr Raymond Ch'ien, commended Mr Jay Walder's performance and paid him HK\$20 million of bonus despite public opinion to the contrary; hence, if the Company's performance was good and the Company had a solid defence in case Government were to sue the Company in future, the Company should not agree to underwrite the cost overrun;
3. the proposed Special Dividend should not be paid as it would have to be financed by borrowings, resulting in future interest payments by the Company; and

4. voting should be conducted according to the number of Shareholders present, instead of the number of shares held by Shareholders, otherwise, the majority shareholders would always prevail.

The Chairman thanked Mr Lee for his comments and invited Mr Lincoln Leong, CEO, to explain the reasons for the XRL Arrangements.

Mr Leong thanked Mr Lee for his questions and comments. He noted that, as pointed out by the Chairman earlier, the XRL Arrangements were a pragmatic and viable solution and hopefully, with the approval of the Independent Shareholders and LegCo, would be able to proceed.

Mr Leong noted that Mr Lee's question on the reliance on borrowings to pay the Special Dividend had been addressed earlier at the Meeting and the Company's debt and gearing ratios, and its financial position, would remain at healthy levels even after the additional borrowing and the payout of the Special Dividend. Mr Leong also noted that the payment of the Special Dividend out of borrowings could actually enhance the capital efficiency of the Company, hence, the Board had decided to adopt this option, and the IFA had also recommended Shareholders to support this option.

The Chairman supplemented that:

1. the HK\$84.42 billion had been worked out after careful deliberation and the Management team was confident that the project could be completed within this budget;
2. as pointed out by Mr Lee, the risk of cost overruns for civil engineering and tunnel works was relatively higher. However, the XRL project had reached a stage where the super structure was being built, with the civil works substantially completed, and so Management was confident that the chances of the Company having to underwrite any further cost overrun beyond HK\$84.42 billion were slim;

3. having considered various factors, including the views expressed by different members of LegCo in the public, this practical and pragmatic proposal was put forward to Shareholders; and
4. regarding the method of voting, the method was compatible with good corporate governance principles and had been adopted by the Company all along.

Mr Lee Wing Kuen, Shareholder, noted that he had attended the Meeting to vote against the Resolution as the payback period for XRL was too long.

Mr Lee noted that, according to LegCo Paper No. CB(1)503/09-10(02), page 6, paragraph 19, the majority (more than 95%) of the direct economic benefits of XRL would come from cost savings due to passenger time savings and, on page 7 of the Paper, it was pointed out that the total economic benefits of XRL over 50-years of operation, in the “High Case”, was estimated at HK\$106 billion, which translated to only HK\$5.8 million a day. Mr Lee further noted that, compared to a cost overrun of HK\$100 billion, it would take over 47 years to breakeven, even putting aside repair and maintenance expenses, and there would likely be new modes of transport twenty years from now rendering the XRL technology obsolete.

Mr Lee noted that the Chairman had appealed to the public to support the XRL Arrangements on the grounds that it would be a pity if the project had to be aborted. Mr Lee opined that one could make a profit or a loss on any investment, and there was nothing wrong with cutting the losses of the project.

Mr Lee also opined that the co-location arrangements might damage the Basic Law and might lead to the United States revoking the United States – Hong Kong Policy Act and the special trade status for Hong Kong, which would have an impact on Hong Kong’s economy.

The Chairman took note of the points made by Mr Lee and replied that:

1. the Company's responsibility, as project manager for XRL, was to complete the project. Since the Company was neither the owner nor the operator of XRL, it had no role in commenting on the economic benefits of the project;
2. the HK\$100 billion cost overrun mentioned by Mr Lee was incorrect; and
3. the reasons for his saying that it would be a pity if the project was aborted included that:
 - a. more than 75% of the project had been completed, including the most difficult part of the civil engineering work;
 - b. HK\$65 billion had already been spent for the project, which would become a sunk cost if the project were to be aborted;
 - c. the project could not be simply suspended overnight, and there would be additional work and costs to follow even in the case of a suspension; and
 - d. the jobs of many people would be affected.

Mr Ng Leung Yan, Shareholder, referred to the electronic poll voting demonstration conducted earlier and questioned why the poll results showed over a million votes for and over a hundred thousand votes against the dummy resolution, which were significantly higher than the number of Shareholders present.

Mr Wong thanked Mr Ng for his question and explained that the number of votes represented the shareholdings held by Shareholders as registered on the smart cards within the handsets distributed to and held by the Shareholders.

Mr Leung, Shareholder, referred to the Letter from the IFA on pages 53 and 54 of the Circular and noted that an additional borrowing of HK\$25.8 billion would be required to fund the payment of the Special Dividend, which would result in a 169% increase in the net debt position of the Company, from HK\$15.2 billion to HK\$41.0 billion and result in implied interest and finance charges of HK\$0.9 billion. Mr Leung noted that, if the Independent Shareholders voted in favour of the Resolution, the Company would receive an additional project management fee of HK\$1.75 billion, but the additional cost overrun responsibilities would have to be borne by Shareholders of the Company.

Mr Leung further noted that there were a number of Directors listed under paragraphs 3 and 4 of Appendix V, General Information, of the Circular, who held shares in the Company as personal interests, and questioned if they would also be casting their votes in respect of the Resolution, as he had read from the Questions and Answers, question number 3, on page 5 of the Circular that "All other registered Shareholders of the Company are entitled to vote at the General Meeting". Mr Leung further noted that he would like to ask the representatives from the IFA to explain why they had recommended the Independent Shareholders to agree with the Board's recommendation as, in his own view, Shareholders would be asked to take up over HK\$20.0 billion of additional liability in return for the Special Dividend of HK\$4.40 per share. He opined that effectively the Company was borrowing funds to help Government, the majority shareholder, to resolve its financial problem.

The Chairman explained that the additional project cost of HK\$19.42 billion would be the responsibility of Government and pointed out that Mr Leung's perception that the Company would have to bear such additional cost was incorrect. The Chairman explained that the Company would only be responsible to bear and finance the portion of the XRL project cost exceeding HK\$84.42 billion (if any). The Chairman then invited Mr Leung to address the other points raised by Mr Leung.

Mr Leong thanked Mr Leung for his questions and comments. He noted that, as pointed out by the Chairman earlier:

1. over 75% of the project had been completed already and the most complex works, including the tunnel and the West Kowloon Terminus excavation works, were near completion. The 26-kilometer long tunnel was broken through on 12 December 2015 and the excavation work at the West Kowloon Terminus was over 97% completed; and
2. the Management team was confident that the project could be completed within HK\$84.42 billion.

Mr Leong, in response to Mr Leung's question on borrowing, noted that, as pointed out earlier when addressing questions from other shareholders, the Company's debt and gearing ratios, and its financial position, would remain at healthy levels even after the additional borrowing and the payout of the Special Dividend.

The Chairman referred Mr Leung's question for the IFA to Mr Dennis Cassidy of Anglo Chinese.

Mr Cassidy thanked Mr Leung for his question and noted that the Letter from the IFA had set out in detail the basis and the assumptions made in reaching the conclusion and the recommendation for Independent Shareholders to vote in favour of the Resolution to approve the XRL Agreement. Mr Cassidy noted that Anglo Chinese had taken into consideration the overall impact of the XRL Agreement, the steps taken by the Management to arrive at the revised cost estimate of HK\$84.42 billion and the ability of the Company to finance the Special Dividend in coming to the conclusion that it would be in the interests of the Company and its Shareholders as a whole to proceed with the XRL Agreement and XRL Arrangements in order to advance the XRL project.

The Chairman thanked Mr Cassidy for his response and invited Ms Gillian Meller, Legal Director and Secretary, to address Mr Leung's question regarding whether the Directors mentioned by Mr Leung were entitled to vote or not.

Ms Meller noted that, as mentioned in the Circular, neither Government nor any of its associates who were a connected party for the purposes of the transaction and interested in it had been invited and would vote. Ms Meller further noted that, for individual Directors who held shares in the Company, since they did not have any conflict of interest in relation to the transaction, they would be entitled to vote in relation to the Resolution.

The Chairman declared that, for the sake of transparency, his family trust also held 70,000 shares in the Company.

Mr Leung remarked that the former Chairman and the former CEO of the Company had both expressed their confidence in the Company, but Shareholders were forced into making a major bet now. Mr Leung expressed his scepticism towards the confidence displayed by the Chairman and Mr Leung now and urged Shareholders to vote against the Resolution.

The Chairman thanked Mr Leung for his views.

Mr Law, a proxy, noted that the Company's financial position had not been very good in the past and, in the mid to late 1980s, after the Island Line was opened, the Company was on the verge of bankruptcy. Mr Law noted that, even though the Company was making a profit now, it needed to stay vigilant as railway operations were not an investment with good financial returns, and it would be easier for the Company to encounter a deteriorating, rather than an improving, financial position.

Mr Law noted that the Special Dividend was very attractive and a lot of Shareholders he talked to had mixed feelings towards the proposed Special Dividend.

Mr Law also noted that he agreed with the views of the IFA that it would be unlikely that the Company's financial position would deteriorate; however, it did not mean that the financial position of the Company would improve.

Mr Law noted that he had studied the history of local railways in Hong Kong dating back to the 1960s and he could understand that delays, unforeseen problems and cost overruns were common for civil engineering projects and other public works projects. Mr Law noted that, nonetheless, there were elements that could have been foreseen and one example was the canopy structure for the West Kowloon Terminus. Mr Law opined that the canopy structure was the major cause for the cost overrun and pointed out that even though the design of the West Kowloon Cultural District included a canopy structure initially, it was not pursued subsequently.

Mr Law noted that there were a number of constructions in the vicinity of the West Kowloon Terminus in the past, including Kowloon Station, which was completed at the end of the 1990s and Austin Station, which was completed in 2009. Mr Law opined that geological studies should have been conducted then and questioned if the Company had referred to these geological study reports when planning the XRL project.

The Chairman noted that Government had already publicly stated its position that, according to the proposed arrangements, Government and the Company would go to arbitration after completion of the XRL project and a ruling would be made then in respect of responsibility and liability for the cost overrun.

The Chairman thanked Mr Law for his views and noted that Mr Leong had just confirmed to him that, since the Company's initial public offering in the year 2000, the Company had been profitable every year.

Mr Tam Hoi Bong, a proxy, noted that the shareholder he represented had asked him to express that he had held shares in the Company for a long time. Mr Tam noted that the shareholder in question was against the Resolution as the Company's liability would increase to HK\$25.8 billion and its gearing ratio would increase to 29% if the Company financed the payment of the Special Dividend through additional borrowings. Mr Tam also opined that, if public security officials from Mainland China were allowed to enforce their laws in the West Kowloon Terminus under the proposed co-location arrangement, the "One Country, Two Systems" principle would be damaged and the whole of Hong Kong would be losers.

The Chairman apologized for having to interrupt Mr Tam and pointed out that the issue relating to the co-location arrangements was Government's responsibility and the Company did not have any role in it. The Chairman reminded that discussions at the Meeting should focus on the XRL Arrangements.

Mr Tam opined that, without the co-location arrangements, the projected efficiency, economic benefits, faster speed and time savings for passengers would vanish and hence, the XRL project should not be continued and the West Kowloon Terminus could be converted into other uses.

The Chairman noted that he believed Government had heard Mr Tam's views.

Madam Ch'ien Po Fun, Shareholder, noted that she had bought her shares in the Company around two months ago at HK\$34 a share. Madam Ch'ien opined that it would be stupid for her to wait until 2017 to receive the Special Dividend of HK\$4.40 as she could have sold her shares at over HK\$38 each earlier and, if she did, she could have made HK\$4.40 already. Madam Ch'ien noted that she would vote against the Resolution. She noted that she was an ordinary citizen with no knowledge of financial skills; however, she recognised that there were no free lunches and, if one

borrowed, one had to pay interest on the borrowings.

Madam Ch'ien opined that small shareholders would have to shoulder the responsibility of paying the interest on the loan and, if the results of the Company should deteriorate, the Company's dividend payout might decrease in future. Madam Ch'ien noted that a lot of people, especially the elderly, bought shares in the Company as long term investments and for their steady dividend stream. She further noted that some of the elderly spent their life savings investing in blue chip stocks as there was no universal retirement protection in Hong Kong, and the dividend income from such investments could be the only income for them after their retirement. Madam Ch'ien noted that, if the dividend payout or the share price of the Company were to decrease in the future due to unknown risks and uncertainties, the income of the elderly would be affected.

Madam Ch'ien opined that the majority shareholder and the Company would of course paint a rosy picture as they would like Shareholders to vote in favour of the Resolution but, for her, she believed that if Shareholders voted against the Resolution, the Company would still operate in the same way and, even though the dividend from the Company would not increase suddenly, it would be maintained at the same level as anticipated by Shareholders, and Shareholders could plan their lives according to the expected dividend stream. Madam Ch'ien reiterated her views and opined that, after payment of the Special Dividend, the dividend payout from the Company might not be sufficient to sustain Shareholders' retirement life, and the share price of the Company might drop if its results deteriorated, and Shareholders would be caught in a dilemma. Madam Ch'ien urged fellow Shareholders to vote against the Resolution.

The Chairman thanked Madam Ch'ien for her views and invited Mr Leong to elaborate on the impact of the Resolution on the financial position and the future dividend payments by the Company.

Mr Leong thanked Madam Ch'ien and noted that, as mentioned earlier, the Company's financial position and balance sheet would remain at healthy levels after the additional borrowing and the payout of the Special Dividend. Mr Leong also noted that the pro-forma gearing ratio of 29% as shown in the Circular was still at a satisfactory level and was lower than other railway operators in Asia and other infrastructure companies in Hong Kong. Mr Leong referred to Madam Ch'ien's comments on future dividend payouts and noted that, as explained earlier, the XRL Agreement would not have any impact on the Company's progressive dividend payout policy going forward.

Mr Ng Chi Chun, Shareholder, noted that he had held shares in the Company since its initial public offering. Mr Ng opined that, even though Government was still the majority shareholder of the Company, the Company was privatized based on market, instead of political, considerations. Mr Ng questioned if anyone would buy shares in a company that would borrow money to pay a dividend and noted that, if he needed money, he could borrow the money himself elsewhere. Mr Ng noted that he had invested in a railway company and would support the Company borrowing money for building railways as he could understand that long term borrowings would be required to complete railway development projects. Mr Ng opined that the Company had not considered this important principle.

Mr Ng noted that, even though Shareholders were told that the risk of further cost overrun above HK\$84.42 billion was not high, there was no guarantee that the Company would not be required to pay extra as the Company had committed to underwriting any such further cost overrun of the project. Mr Ng also pointed out that Shareholders had not been told by the Company that it would be absolved of responsibility after the additional borrowing and the payment of the Special Dividend. Mr Ng also noted that, even though there would be an arbitration, the results of the arbitration could not be predicted and there was a risk

that the Company could have further liability resulting from the arbitration, and this liability was not incurred for building railways.

Mr Ng opined that, from an investment perspective, the Company would only be earning HK\$6.4 billion of project management fee. However, it had to borrow an additional HK\$25.8 billion for payment of the Special Dividend and there could be further losses and liabilities going forward. Mr Ng noted that he found this difficult to explain from a financial perspective and as such he would vote against the Resolution.

Mr Ng noted that it was mentioned earlier that the Company had no role in the operation of XRL. However, as XRL was part of the railway network, its operation and financial performance could still have an impact on the Company. Mr Ng opined that the Company should base its decision on financial considerations only and, from this angle, the current direction pursued by the Company was wrong. Mr Ng referred to the Management's comment that the financial position of the Company would remain healthy and opined that it would be even healthier without the additional borrowings.

The Chairman thanked Mr Ng for his views and noted that Mr Leong had already explained the financial arrangement. The Chairman took note of Mr Ng's comments and acknowledged that he could not guarantee that the HK\$84.42 billion would not be exceeded. The Chairman pointed out that there was a risk and that this was precisely the reason that the matter was being put to the Independent Shareholders for a decision. The Chairman noted that he would put on record that there was a risk, but, as could be confirmed by Mr Leong, Management had done a lot of work and engaged external advisors to help reviewing the numbers, and had concluded that the risk was minimal.

Mr Lui Chi Hang, Shareholder, noted that he had two questions.

Mr Lui noted that, according to EA2, Government, as the owner of the XRL project, was responsible for the financing of the project and the payment of the HK\$4.59 billion project management fee to the Company and, if the Company was negligent in performing its role under EA2, its legal liability would be capped at the project management fee received and other costs. Mr Lui noted that Government would only be responsible for HK\$84.42 billion and any excess would have to be borne by the Company under the new XRL Agreement and opined that the original agreement was more favourable as the Company was not required to shoulder the liability for cost overruns. Mr Lui noted that it was contrary to the commercial principles of listed companies to transfer benefits to the major shareholder, in this case, Government, and asked why the Company would agree to the XRL Agreement, when it was not beneficial to the Company and unfair to the minority shareholders.

Mr Lui further asked why the Company would decide to borrow HK\$25.8 billion to pay the Special Dividend when it had no special need for capital. Mr Lui noted that the Company would have to pay annual interest of close to HK\$400 million for the additional borrowing, which was equivalent to around 5% of the recurrent profits of the Company, and the gearing ratio of the Company would increase from 9% to 29%. Mr Lui opined that these would affect the Company's financial performance, future dividend payouts and ability to obtain funding in the future. Mr Lui noted that PCCW collapsed because of its huge debt and interest payments and asked why the Company would borrow money to pay the Special Dividend, rather than simply asking Government to pay for the cost overrun of HK\$19.42 billion.

The Chairman acknowledged that Mr Lui had raised two very good questions and, even though questions on the financial arrangements had been addressed before, invited Mr Leong to respond to the questions once again.

Mr Leong thanked Mr Lui for the questions and reiterated that the Chairman had already said that the XRL Agreement was a pragmatic and viable option to take forward and complete the XRL project. Mr Leong pointed out that questions on the financial arrangement had been addressed many times before and repeated that the Company's debt and gearing ratios, and its financial position, would remain at healthy levels even after the additional borrowing and the payout of the Special Dividend. Mr Leong noted that the pro-forma gearing ratio of 29% was still within a reasonable limit and was lower than other infrastructure companies in Hong Kong, which could have a gearing ratio of around 73%, and other listed metro operators in Asia, which could have a gearing ratio of around 86%. Mr Leong also reminded Shareholders that, after its initial public offering, the Company's gearing ratio once reached 59%.

Dr Hon Kwok Ka-Ki, Shareholder and a member of LegCo, noted that he was happy to hear many Shareholders expressing their views at the Meeting, and opined that, for many Shareholders who were not able to attend the Meeting, the XRL project was a mess. Dr Hon Kwok noted that Government, who represented the whole of Hong Kong, owned over 76% of the shares in the Company, and that each Hong Kong citizen had to pay over HK\$10,000 for the XRL project. Dr Hon Kwok opined that promises in respect of the project, including the financial arrangements, the projected passenger numbers and the programme, had so far not been delivered on. He noted that a promise was made a few years back that the construction cost for the project would be HK\$65 billion, but there was now a severe cost overrun, and questioned the credibility of the Management team.

The Chairman, while respecting Dr Hon Kwok as a Shareholder, reminded him to focus his questions on the Resolution.

Dr Hon Kwok noted that many elderly Shareholders relied on dividends from the Company and pointed out three issues relating to the XRL Arrangements: (1) the increase in the gearing ratio of the Company from 9% to 29%; (2) Government's intention to refer to arbitration the question of the Company's liability for the cost overrun; and (3) the Company having to shoulder the responsibility for any further cost overrun of the XRL project. Dr Hon Kwok asked Shareholders if they thought that these were reasonable.

The Chairman thanked Dr Hon Kwok and noted that there would be a polling procedure and Shareholders would cast their votes later at the Meeting.

Dr Hon Kwok then raised a further question, questioning the qualifications of the Chairman and Mr Leong in recommending Shareholders to vote for the Resolution when, in his opinion, they themselves would have nothing to lose and would not have to shoulder any responsibility, whereas Shareholders would be the ones to bear the consequences of the additional borrowing and the potential loss resulting from the arbitration and any further cost overruns.

The Chairman thanked Dr Hon Kwok and noted that the Management team would be accountable for their actions.

Mr Cheng, Shareholder, noted that a lot of Shareholders who were against the Resolution had spoken out that morning and he would like to express his views in support of the Resolution. Mr Cheng noted that there was nothing wrong with paying the Special Dividend through additional borrowing and Shareholders would be the beneficiaries and could use the Special Dividend to buy more shares in the Company or make other investments. Mr Cheng suggested that, if Shareholders had reservations, they could sell their investments in the Company.

Mr Cheng pointed out that, after the Special Dividend was paid, the Company's shareholders' equity would

reduce and its return on shareholders' equity would improve; hence, the rating of the Company by rating agencies would also improve, which would have a favourable impact on the overall return of the Company to shareholders.

The Chairman thanked Mr Cheng for his comments.

Mr Kwan Tak Wah, Shareholder, noted that he had looked at the results of the Company for the past 5 years and noticed that the Company had earned profits of around HK\$70 billion; however, many projects undertaken by the Company had cost overruns and the total cost overruns amounted to around HK\$10.8 billion. Mr Kwan opined that, whilst the Company had been working hard to generate profit for Shareholders, there seemed to be some problems in respect of project cost control.

The Chairman thanked Mr Kwan for his views.

Madam Principal Chan, Shareholder, noted that she would like to address a question to Mr Edward Ho Sing-tin. Madam Principal Chan noted that Mr Ho was an engineer and oversaw projects of the Company and asked why there were such major mistakes in the XRL project. Madam Principal Chan opined that the Company should not have committed itself to the project in the first place and that the Company had paid a huge bonus to Mr Jay Walder, who had sounded very confident at the time but had since left the Company.

Madam Principal Chan also asked if Mr Ho was responsible for monitoring the projects of the Company.

The Chairman advised that Mr Ho was an INED of the Company and he was not responsible for monitoring the projects of the Company. The Chairman asked if Mr Ho would like to address the question from Madam Principal and, if not, he would invite the Projects Director to address the question.

Mr Ho said he would be happy to answer Madam Principal Chan's question and explained that directors of the Company were not responsible for overseeing the projects from beginning to end. Mr Ho noted that the Company had engaged a team of professionals, who were responsible for project management. Regarding the programme delay and cost overrun of the XRL project, Mr Ho noted that two reports had been issued by the IBC of XRL Project, which had been made public, and the reports had identified that there were many unforeseen factors involved in the project. Mr Ho noted that an important consideration was that 76% of the project had been completed and all the tunnels had been broken through, and the most important thing to focus on at the moment would be the smooth completion of the project.

Mr Ho also noted that the Company had considered and had thorough discussions with Government on all the issues relating to the XRL project and that he would therefore recommend the Independent Shareholders to support the Resolution.

Madam Principal Chan commended the Chairman for the work done since he had taken up the Chairmanship.

The Chairman thanked Madam Principal Chan for her compliment and directed the focus back to the Resolution.

Madam Principal Chan suggested that Shareholders should support the Resolution and the continuation of the XRL project, and commended that the Company had done a good job. Madam Principal Chan said that she had attended the Company's annual general meeting for many years and had successfully helped elderlies in Hong Kong receive the HK\$2 fare concession. Madam Principal Chan also suggested that the MTR Fare Saver be simply handed out, instead of requiring passengers to walk a long distance in order to enjoy the concession. Finally, Madam Principal Chan remarked that people at the Meeting were tired and questioned why there was no drinking water offered in

the meeting hall.

The Chairman apologized to Madam Principal Chan.

Mr Chan Ping Kai, Shareholder, noted that he had been holding onto his shares in the Company since its initial public offering. He said that he would be voting in favour of the Resolution as the XRL project would have a great impact on him. Mr Chan noted that, if the project was aborted, it would not only affect the Company, but would also affect the employment and livelihood of construction workers and the economic development of Hong Kong as a whole.

Mr Chan noted that Madam Ch'ien who spoke earlier said that Shareholders should be worried about the future dividend payout. Mr Chan said that he was worried about the future dividend payout, but for a different reason. He was worried that the Company would not be able to increase its fares in accordance with the Fare Adjustment Mechanism due to the profits it had been making.

Mr Chan noted that he had invested in the Company because he had confidence that its Projects team would do a good job; however, he was disappointed about what had happened in relation to the XRL project. Mr Chan appealed to the Projects team to do a good job and not to disappoint Shareholders again. Mr Chan agreed with Mr Lee, who was a Senior Engineer at the Highways Department before he retired and had spoken earlier, that there were a lot of uncertainties for civil engineering projects. However, Mr Chan opined that not all of these uncertainties would result in cost overruns and project abortions, and appealed to the Projects team for a positive outcome for the project.

The Chairman responded that he believed Dr Philco Wong Nai-keung, Projects Director, had heard Mr Chan's views and would do his best.

Madam Tai, Shareholder, noted that she lived in Ma On Shan and had come to the Meeting to support the

Resolution because, as the Chairman had said, the most difficult part of the project had been completed already. Madam Tai remarked that the Projects team had accumulated experience and learned a lesson, and she believed that they would work even harder to complete the project.

Madam Tai recalled that when the Ma On Shan Line was being built, many councillors claimed that the line would block the views and would create noise nuisance and they encouraged residents in the area to sign petitions against the construction of the line. Madam Tai noted that now that the Ma On Shan Line was completed, it was a success and it would not be so convenient for residents in the area without it.

Madam Tai quoted the Hong Kong International Airport at Chek Lap Kok as another example where people objected to its construction, even when the Kai Tak Airport was saturated. Madam Tai noted that the Chek Lap Kok Airport was also a success and she was proud that Hong Kong had such a world class airport.

The Chairman thanked Madame Tai for her views.

Mr Wong Kwai Ping, Shareholder, expressed his astonishment at the information, both technical and financial, that some Shareholders had gathered in detail before the Meeting. Mr Wong opined that, for the younger Shareholders, they might not be aware that there were debates in LegCo as to whether the mass transit railway should be built, and some Members of LegCo had said that Hong Kong could not afford a railway and that it would end up a white elephant project. Mr Wong asked Shareholders whether they thought that MTR was a white elephant and asked them to consider what the traffic situation would be like in Hong Kong without MTR.

Regarding the XRL project, Mr Wong believed that it would also be a success. Mr Wong noted that the shares of the Company were trading at around HK\$34 a share before trading was suspended, and he opined

that the share price would drop by HK\$10 if the Resolution was not passed.

The Chairman cautioned that the Company would not predict the movement of its share price.

Mr Lau, Shareholder, noted that the XRL project was originally planned to be completed in 2015 and now the completion date had been delayed to Q3 2018. In respect of the cost overrun of HK\$19.6 billion, Mr Lau opined that it should be paid for by Government. However, in order to minimize the criticism from the public, instead of funding the cost overrun directly from the Treasury, it would be paid for by the Special Dividend from the Company.

The Chairman noted that the point made by Mr Lau was wrong and clarified that even though the cost overrun of HK\$19.6 billion would need to be approved by LegCo, it would be paid for by Government, not the Company.

Mr Lau repeated that Government should pay for the cost overrun of HK\$19.6 million and that, in order to minimize the criticism from the public, the cost overrun would not be directly paid for by the Treasury.

The Chairman reiterated his disagreement with Mr Lau's argument and explained again that the cost overrun of HK\$19.6 billion would be paid for by Government, not by the Company.

Mr Lau continued and noted again that Government would receive the Special Dividend of HK\$19.6 million from the Company to help it resolve the cost overrun issue of the XRL project. Mr Lau opined that the person who came up with this arrangement believed that this could help to ease the public's discontent and induce LegCo to grant the additional funding and, at the same time, minority Shareholders could benefit from the Special Dividend. Mr Lau did not agree with the proposal and opined that the payment of the Special Dividend would add to the financial burden of the Company and would be detrimental to its long term

interest.

After being urged by the Chairman to focus on questions on the Resolution, Mr Lau asked if the Company would have to increase its fares or reduce its dividend payouts from 2018 onwards due to the need to repay the additional borrowings of HK\$25.8 billion.

The Chairman noted that there had been many rounds of discussion relating to Mr Lau's questions. He nonetheless invited Mr Leong to respond to the questions once again.

Mr Leong thanked Mr Lau for his questions and noted that MTR fares and the XRL Agreement were two separate issues. Mr Leong added that the Company's fare was governed by a highly transparent Fare Adjustment Mechanism and fares would be adjusted according to such mechanism every year.

Mr Poon, Shareholder, opined that one had to consider arguments from both sides before reaching a decision. Mr Poon then noted that, on the one hand, certain aspects of the XRL Agreement were unfair for the Company, including the need to underwrite any additional cost overruns; on the other hand, if the XRL project was aborted, the reputation and long term development prospects of the Company, its return to shareholders, the image and economy of Hong Kong, and the confidence of international investors in Hong Kong would all be affected. Mr Poon remarked that minority Shareholders needed to consider their rights and interests before reaching a decision.

Mr Poon noted that paragraph 2 of Appendix II in the Circular mentioned that the Company should have no obligation to bear and finance the portion of the further cost overrun that resulted from the occurrence of a "force majeure" event whereas, on page 27 of the Circular, under the Letter from the Board, the Board reminded Shareholders that there could be no assurance that the cost of completing the XRL project would not exceed HK\$84.42 billion, particularly if

“unforeseen events” arose before the project was completed. Mr Poon noted that he would like to better understand the meaning and the difference between “force majeure” and “unforeseen events”. Mr Poon used an example where a serious accident took place (whether or not it was caused by human error) and the whole West Kowloon Terminus collapsed and had to be rebuilt. Mr Poon asked whether this would be considered as a “force majeure” event or an “unforeseen event” and what the responsibility of the Company would be in these circumstances. Mr Poon also asked if the insurance policies taken out by the Company would cover this kind of incident.

The Chairman thanked Mr Poon for his excellent questions and invited Mr Leong to respond.

Mr Leong thanked the Chairman and Mr Poon. He remarked that nobody would like to see a “force majeure” event happening and quoted a major earthquake in Hong Kong as an example of a “force majeure” event. Mr Leong noted that there were further challenges for the project during its construction stage and these would not be likely to be considered as “force majeure” events.

Mr Poon referred to the Letter from the IFA in the Circular which indicated that the West Kowloon Terminus and, in particular, contract 810A, was very complex and challenging, and that only around 50% of contract 810A had been completed. Mr Poon asked for more details in respect of the nature of the work, whether it was excavation work or construction of the super structure that had been completed and that were still outstanding.

The Chairman invited Dr Philco Wong to respond to the question.

Dr Wong noted that the West Kowloon Terminus was one of the critical components of the XRL project and that it was over 50% complete. Dr Wong advised that the remaining 50% included structural works and the

construction of the super structure.

Mr Leong supplemented that the excavation work at the West Kowloon Terminus was 97% complete already.

Mr Poon noted that since the risk of excavation work was the highest, he felt more comfortable knowing that 97% of the excavation work had been completed.

Mr Poon noted that one of the reasons the Company recommended Shareholders to vote in favour of the Resolution was based on the understanding that the Company would be invited by Government to undertake the operation of the XRL under the concession approach, following the completion of the project. Mr Poon asked if this understanding was still valid, given the current political environment.

Mr Leong confirmed that the understanding was still valid. He noted that discussions with Government on the concession had not yet started but were expected to commence in due course.

Mr Leung, Shareholder, noted that he held 500 shares in the Company. He expressed his disagreement with the Chairman's earlier remark that there was no difference between a major shareholder and a minority shareholder.

Mr Leung noted that he had three identities, a minority shareholder, a member of the public and a Christian and, similarly, the Company could have multiple identities. He noted that Shareholders needed to know about the identity of the Company, whether it was a public organization or a publicly listed company, before they could vote.

The Chairman responded that the Company was a publicly listed company and urged Mr Leung to focus on the Resolution and raise his question.

Mr Leung noted that a Shareholder mentioned earlier that the Company's share price before the suspension

of trading was HK\$34 a share. He asked the Chairman to provide him with the correct share price so that no one at the Meeting would be misled.

The Chairman responded that the share price information would be provided and urged Mr Leung again to focus on questions relating to the Resolution.

Mr Leung said his question was whether or not Shareholders could trust the Management of the Company. Mr Leung also asked the Chairman to confirm if the Company was classified under the utilities sector of the Hang Seng Index.

The Chairman remarked that while he fully respected Mr Leung's right to ask questions, he would remind him that the Meeting and the Resolution were about the XRL project and Shareholders had already spent two hours deliberating on the subject, and urged Mr Leung again to focus on questions relating to the Resolution.

Mr Leung then asked why, if the Company had adequate capital and its financial position was sound, it would decide to borrow money to pay the Special Dividend, instead of paying the dividend directly out of the Company's reserves.

The Chairman invited Mr Leung to respond to the questions.

Mr Leung thanked the Chairman and Mr Leung for the questions. Mr Leung noted that, since the execution of the XRL Agreement with Government on 30 November 2015, the Company's share price had out-performed the Hang Seng Index by a big margin, which reflected the market's view on the XRL Agreement.

The Chairman supplemented that, according to the information he had, the Company's share price had closed at HK\$35.10 on the Friday preceding the Meeting.

Mr So Wai Kwong, Shareholder, said that he had a simple question. He opined that borrowing money to pay a dividend was not a new trick for companies and quoted the example of Enron in the USA. Mr So noted that Enron had resorted to borrowing money at a high interest rate to pay out dividends during its final years. Mr So opined that, if the Company had enough money to pay the Special Dividend, it would not need to borrow money, and that there was actually no need for the Company to pay any Special Dividends.

The Chairman thanked Mr So for his views and noted that, since Mr Leong had responded to questions on the financial arrangements many times already at the Meeting, he would not ask Mr Leong to repeat his response again.

Ms Lo, Shareholder, noted that she had two questions:

1. The Company was only the project manager of the XRL project and the Company had always emphasized before that it did not have any legal liability for cost overruns and programme delays. In that case, why did the Company sign the XRL Agreement and agree to underwrite any further cost overruns of the project?
2. As a project manager, the Company would receive the project management fee whether the XRL project was completed or not; hence, why should the Company borrow the money and incur a liability to pay the Special Dividend? How would the Company benefit from that? There was no justification for the payment of the Special Dividend, other than that Government, as the majority shareholder, would receive a large lump sum payment that would help them in getting the approval for additional funding from LegCo.

The Chairman noted that a lot of the questions from Shareholders were related to similar issues and remarked that, unless Shareholders had some new viewpoints or questions, he would invite Mr Leong to

address these similar questions once and for all.

Mr Leong referred to the second question and noted that there were benefits for the Company in borrowing money to pay the dividend, which included: (1) that the capital efficiency of the Company would be improved; and (2) that the return on shareholders' equity of the Company would also be improved, which would be beneficial both to the Company and to Shareholders.

Mr Leong referred back to the first question and noted that not only was the Company confident that the XRL project could be completed within the revised cost estimate of HK\$84.42 million, but three independent advisors who had conducted detailed reviews of the estimate had also come to the same conclusion.

An anonymous female speaker from the floor commented that there seemed to be a lot of controversy as to why the Company needed to pay the Special Dividend and she would like to know the answer too. She also noted that similar questions were being asked over and over and opined that a lot of Shareholders at the Meeting could no longer wait and would like to ask the Chairman to suspend the Meeting.

The Chairman thanked the speaker and responded that he would like to allow Shareholders the opportunity to express their views on the Resolution and, out of respect for Shareholders, no deadline had been set on the time for asking questions. The Chairman urged Shareholders not to dwell on the same issues and repeat questions that had already been raised by other Shareholders. The Chairman then invited Mr Leong to answer the question again.

Mr Leong thanked the Chairman and the speaker and reiterated that financing the payment of the Special Dividend by way of borrowings offered two benefits to both the Company and its Shareholders: (1) an improvement in capital efficiency; and (2) an improvement in the return on shareholders' equity.

Mr Lau, who had spoken earlier, supplemented that he did not understand what was meant by an enhancement in capital efficiency and how capital efficiency could be improved by the payment of a dividend. Mr Lau said that he had never heard of a listed company borrowing money from financial institutions to pay a dividend to shareholders, unless the company had a problem. He opined that the Company was doing this in order to enable the majority shareholder to receive HK\$16.9 billion to pay for the cost overrun of the XRL project. Mr Lau said that the HK\$16.9 billion should have been Government's responsibility and he could not understand why it had fallen onto the shoulders of the shareholders of the Company.

The Chairman pointed out that the same question had been raised before by Mr Lau and by many other Shareholders. He acknowledged his views, but noted that the questions had already been addressed repeatedly earlier.

An anonymous female speaker from the floor noted that Shareholders had had two hours of deliberation on the subject matter and asked when the voting could take place.

The Chairman reiterated that he needed to respect the right of Shareholders to speak at the Meeting and had therefore refrained from putting a stop to the repeated questions. The Chairman nonetheless agreed with the speaker that it had come to the point when he would have to limit the questioning time and that he would take questions from one last Shareholder before proceeding with the vote.

Mr Lee Kwok Shui, Shareholder, referred to the earlier discussion on the increase in the return on shareholders' equity and asked if it was due to the reduction in reserves and shareholders' equity after payment of the Special Dividend; hence, for the same amount of profits made, the percentage return on shareholders' equity would increase. Mr Lee opined that this was not meaningful, as the profits remained the

same, and it was only the denominator and the net assets of the Company that had reduced:

The Chairman invited Mr Leong to respond to Mr Lee's question.

Mr Leong noted that, as indicated in the Circular and for illustrative purposes, if the Special Dividend had been paid and additional borrowings drawn down at the beginning of 2014, the Company's return on shareholders' equity for 2014 would have increased from 7.3% to 8.2%. Mr Leong noted that, as the Company's shareholders' funds were relatively large, even though the Company's reserves and shareholders' equity would fall after the Special Dividend was paid, its financial position would still be very healthy.

The Chairman thanked the Shareholders for their very high quality questions and patience, commenting that this reflected a good sense of good corporate governance. He noted that the Management team had tried their best to answer Shareholders' questions and, for those Shareholders who didn't have the opportunity to ask questions or who would like to ask further questions, they could send in their questions by email and the Company would endeavour to answer their questions.

The Chairman then conducted the poll on the Resolution.

As more than 50% of the votes were cast in favour of the Resolution, the Chairman declared the Resolution 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 1:15 p.m. and reminded Shareholders to collect their refreshment packs on their way out.

(Signed by Prof. Frederick Ma)

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Chairman