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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)

INSIDE INFORMATION EXECUTION OF NOL (PART 1) PROJECT AGREEMENT FOR NORTHERN LINK

On 8 July 2025, the Company entered into the project agreement with the Secretary for Transport and Logistics for and on behalf of the Government for the financing, design and construction of the Northern Link Project – Part 1 for the first part of the Northern Link. Further details are set out below.

This announcement is made pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Investors should exercise caution in their dealings in the securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

In February 2016, the Government invited the Company to submit a proposal for the NOL Main Line under the ownership approach. In March 2017, the Company submitted to the Government a proposal for the NOL Main Line which was subsequently supplemented with updates in 2018 and 2020. On 8 December 2020, the Chief Executive in Council approved proceeding with the detailed planning and design of the NOL Main Line. Subsequently, the Company was invited to commence the detailed planning and design of the NOL Main Line in December 2020. The Government invited the Company to carry out negotiations on the financing arrangement of NOL on the basis of the ownership approach for funding the project. The railway scheme of the NOL Main Line was gazetted under the Railways Ordinance in October 2023, with two amendments gazetted in May 2024 and August 2024 respectively. On 8 April 2025, the Chief Executive in Council authorised the railway scheme of the NOL Main Line.

The Company and the Government recognise the benefits of implementing the NOL Main Line and the NOL Spur Line as one project, while noting that the NOL Main Line is further advanced than the NOL Spur Line in terms of planning and design and, accordingly, work on the NOL Main Line can begin within 2025, with the intent of enabling the commissioning of the NOL as a whole by not later than 2034 (as detailed below). Therefore, the Company and the Government have agreed a “two-part” approach. The first part (Part 1) will cover the design and construction of part of the NOL Main Line, as well as the detailed planning and design of the NOL Spur Line, while the second part (Part 2) will cover the construction of the remaining portion of the NOL Main Line and the NOL Spur Line, commissioning, operation and maintenance of both lines as an integrated railway, i.e. Northern Link Project, pursuant to a Further Agreement.

It is intended that the Company and the Government will, in due course, enter into discussions on the Further Agreement to enable NOL as a whole to be delivered and commissioned by no later than 2034. However, at this time there is no guarantee as to when the Further Agreement will be entered into and whether it will be possible to agree terms which will allow the Company to achieve a commercial rate of return from its entry into the Further Agreement. Before entering into the Further Agreement, the Company will apply its usual internal governance and review processes to determine if the Further Agreement is in the interests of the Company and its shareholders (including its independent shareholders) as a whole. The Company will issue a further announcement in due course.

In terms of the NOL (Part 1) Works, the Company expects to commence construction in 2025 for expected completion by: (i) 31 December 2031 for the tunnel sections under the NOL (Part 1) Works; and (ii) 31 December 2032 for Kam Sheung Road Station (Northern Link), Au Tau Station and Kwu Tung Station (Northern Link).

THE NOL (PART 1) PROJECT AGREEMENT

On 8 July 2025, the Company and the Secretary for Transport and Logistics for and on behalf of the Government entered into the project agreement for the financing, design and construction of the Northern Link Project – Part 1 (the “**NOL (Part 1) Project Agreement**”) for the first part of the Northern Link.

The NOL (Part 1) Project Agreement contains the following principal terms:

Parties

- (1) the Company; and
- (2) the Secretary for Transport and Logistics for and on behalf of the Government.

The Company’s principal obligations

The Company shall carry out, or procure the carrying out of, the NOL (Part 1) Works, the RRIW, and the Detailed Planning and Design of the NOL Spur Line. The design, construction, supervision and quality control, testing, commissioning and completion of the NOL (Part 1) Works and the RRIW shall be in a manner which reflects the Company's responsibilities and duties under the MTR Ordinance and the NOL (Part 1) Project Agreement and in accordance with all applicable laws and regulations. The NOL (Part 1) Project Agreement covers the design and construction of part of the NOL Main Line and the detailed planning and design of the NOL Spur Line. It does not contain obligations for the Company to operate and maintain any part of the NOL Main Line or the NOL Spur Line. As stated above, the intention is that the

Further Agreement will contain obligations on the Company to operate and maintain both lines as an integrated railway.

In fulfilment of its obligations under the NOL (Part 1) Project Agreement, the Company shall comply with and satisfy all relevant statutory or other legal requirements applicable to the NOL (Part 1) Project.

The Company shall carry out the NOL (Part 1) Project with the skill and care reasonably to be expected of a professional and competent railway project delivery entity and operator which is engaged in the delivery of new railway lines of the type and scope of the NOL (Part 1) Project.

The Company shall on its own pay for the full amount of the NOL (Part 1) Project Cost including land acquisition costs arising from the implementation of the NOL (Part 1) Project as agreed in the NOL (Part 1) Project Agreement. The Company expects to incur the NOL (Part 1) Project Cost over a period of around 10 years and to fund such costs from the financial contribution from the proposed property developments described below, its internal resources, debt issuances and other means (which may possibly include a range of different financing arrangements).

The Company shall use its reasonable endeavours to (a) complete the NOL (Part 1) Works and the RRIW by the Scheduled Completion Dates so as to enable the commissioning of the NOL Main Line not later than 2034; and (b) complete the Detailed Planning and Design of the NOL Spur Line by the applicable Scheduled Completion Date so as to enable the commissioning of the NOL Spur Line not later than 2034. In the event that the actual completion date(s) of the NOL (Part 1) Works is beyond the corresponding Scheduled Completion Date under limb (b) of the Scheduled Completion Date, the Company shall set aside certain amounts from the revenue generated from the Mass Transit Railway for funding network improvements in the Mass Transit Railway. However, as stated above, the NOL (Part 1) Project Agreement does not contain obligations for the Company to operate and maintain any part of the NOL Main Line or the NOL Spur Line (whether by a particular date or otherwise).

The Company shall, at its own cost, carry out the measures specified in the environmental impact assessment and relevant environmental permits issued or to be issued by the Government.

The Company shall be subject to monitoring and control arrangements to be performed by the Government to oversee the delivery of the NOL (Part 1) Project in accordance with the terms of the NOL (Part 1) Project Agreement.

The Government's principal obligations

The Government shall, amongst other things:

- (i) use reasonable endeavours to provide the Company with any information or assistance of a non-financial nature reasonably required by the Company to meet its obligations under the NOL (Part 1) Project Agreement;
- (ii) use reasonable endeavours to make land available to the Company for the timely implementation of the NOL (Part 1) Project Agreement; and
- (iii) permit the Company to undertake commercial and residential property development at the NOL (Part 1) Proposed Development Sites for the purpose of bridging the funding gap of the NOL (Part 1) Project, as described in more detail below.

Mutual obligations

Each of the Government and the Company shall use reasonable endeavours to co-operate with the other in relation to the preparation of any submission or other document to various authorities.

The Government and the Company shall take forward collaborative work initiatives, including developing a charter for fostering a shared vision of the NOL (Part 1) Works and the RRIW and adopting collaborative working behaviours.

In the event that the Further Agreement is not entered into, the parties shall use reasonable endeavours to discuss and agree on the implementation of NOL Main Line including, but not limited to, necessary facilitation for giving to the Government and the Government's contractor(s) access to the Company's construction sites, works sites and works areas for carrying out works for the NOL Main Line so that the target of achieving commissioning of NOL Main Line not later than 2034 would not be jeopardised, and for the hand over of the NOL (Part 1) Works to the Government.

NOL (Part 1) Project in the context of the Company's rail-plus-property model

Background

As disclosed in the Merger Circular, in the Operating Agreement, subject to the MTR Ordinance, it has been acknowledged that, when undertaking new projects and/or operating new railways, the Company will require an appropriate commercial rate of return.

In the Operating Agreement, the Government acknowledges that property development has been, and is expected to continue to be, important for the commercial viability of new projects as well as for operational and technical reasons. The Operating Agreement also provides that, for any new project to be implemented by the Company, the Government and the Company will agree the detailed terms relating to what property development rights (if any) should be provided to the Company.

As explained in the Merger Circular, property development is a significant part of the Company's business, providing an important source of income that has supported the cost of construction of railway projects as well as contributing to future rail patronage from the immediate catchment areas created by such property developments.

The Company's practice in property development has been to arrange for various third-party developers to carry out the actual development works according to the Company's tender documents. Typically, the developers are responsible for development costs (including all or part of the Government land premium, construction and enabling work costs, marketing and sales expenses, professional fees, finance charges and other expenses) and have to bear development risks. The Company derives benefit from the property developments through the sharing of profits with developers in agreed proportions from the sale or lease of the properties after deducting the development costs and/or through lump sum payments from the developers.

NOL (Part 1) Proposed Development Sites

The NOL (Part 1) Proposed Development Sites are approximately 26 hectares for the ten specific sites (and approximately 24 hectares if the tenth site, as detailed below, is not included) for which the proposed uses are residential and commercial.

The NOL (Part 1) Proposed Development Sites have been identified and the Company shall be permitted to undertake property development thereat to contribute to the financial return of the NOL (Part 1) Project so that the Company can achieve an appropriate commercial rate of return on the NOL (Part 1) Project.

Subject to: (a) the approval of the Chief Executive in Council and, where applicable, the Town Planning Board; and (b) the successful resumption by the Government of all NOL (Part 1) Proposed Development Sites which do not belong to the Government pursuant to the Lands Resumption Ordinance (Chapter 124 of the Laws of Hong Kong), the Company shall be permitted to undertake commercial and residential property development at the NOL (Part 1) Proposed Development Sites. Subject as aforesaid, such development rights to be undertaken by the Company shall be granted by one or more private treaties, subject to conditions, including:

- (i) that the development shall be discussed between the parties and shall be in such form as may be prescribed by the Government and, where appropriate, the Town Planning Board;
- (ii) the Company shall pay land premium to the Government to be assessed as described below; and
- (iii) any other terms and conditions as the Government may impose.

Land Premium Arrangements for the NOL (Part 1) Proposed Development Sites

Pursuant to the current Operating Agreement, for property development rights in relation to a new project to be undertaken by the Company, the Government agrees that, for so long as its current land policy is maintained, land premium payable by the Company for such new project will be assessed on a "full market value" basis taking full account of the presence of the railway, subject to an amount being deducted either: (i) as deductible costs in order to arrive at the land premium; or (ii) after the assessment of the aforesaid land premium has been completed in order to arrive at the amount actually payable by the Company, having regard to the acknowledgements in the Operating Agreement that the Company will require an appropriate commercial rate of return when undertaking new projects and/or operating new railways, unless both parties agree to adopt another method to arrive at the land premium payable by the Company.

Consistent with the methodology referred to in (ii) of the paragraph immediately above, the total amount of land premium payable by the Company in respect of the entire NOL (Part 1) Proposed Development Sites shall be assessed by the Government as the full market value of the sites (taking into account the presence of the railway) less the Reduction Amount. The NOL (Part 1) Proposed Development Sites will be developed on a site-by-site basis and the land premium assessment for each site will be carried out, at the time of the relevant tender, with a specified tranche of the Reduction Amount being deducted.

The Company and the Government have agreed on ten specific sites which will be NOL (Part 1) Proposed Development Sites. In the event there is any outstanding Reduction Amount remaining after the Reduction Amount has been applied to the first nine sites, the Company and the Government have identified and agreed that the outstanding Reduction Amount will be deducted from the land premium assessment of the tenth site. If there is no outstanding Reduction Amount remaining after the Reduction Amount has been applied to the first nine sites, the right of the Company to undertake commercial and residential property development at the tenth site shall be revoked. The Reduction Amount will not be adjusted in the future notwithstanding any fluctuations in land values (even if there remains any amount of unused

Reduction Amount following the deduction of the Reduction Amount from the land premium assessed for the tenth site). In the event that the Company and the Government enter into a Further Agreement, then (i) the tenth site shall instead become a proposed development site thereunder; and (ii) any outstanding Reduction Amount under the NOL (Part 1) Project Agreement will be added to the reduction amount in the Further Agreement.

The amount of financial contribution from the development of the NOL (Part 1) Proposed Development Sites will depend on a number of factors including: (1) the condition of the property market in the future; (2) the future cost of such property developments, including Government land premium, construction costs, marketing and sales expenses, finance charges and other expenses; and (3) the actual gross floor area of the relevant developments. There is no guarantee as to the amount of financial contribution from such property developments, nor that any such contributions, will result in the Company achieving a commercial rate of return on the NOL (Part 1) Project.

REASONS FOR, AND BENEFITS OF, THE NOL (PART 1) PROJECT AGREEMENT

Consistent with, and to further develop, its principal business activities (as described below), the Company has entered into the NOL (Part 1) Project Agreement, which forms the first part of the “two-part” approach for implementing the NOL Main Line and the NOL Spur Line (as described above). The NOL (Part 1) Project Agreement will enable the Company to advance the NOL project as a whole and to preserve the rail-plus-property model, on the basis described above, by carrying out property development in order to be able to achieve an appropriate commercial rate of return on the NOL (Part 1) Project (even if the Further Agreement is not ultimately entered into).

In considering the NOL (Part 1) Project Agreement, the Company has applied its internal governance and review processes and has obtained advice from a financial adviser (Rothschild & Co Hong Kong Limited), which concluded that the NOL (Part 1) Project is in the ordinary and usual course of business of the Company and that the NOL (Part 1) Project Agreement is (i) on normal commercial terms; and (ii) fair and reasonable and in the interests of the Company and its shareholders (including its independent shareholders) as a whole.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Group is principally engaged in the following core businesses: railway design, construction, operation, maintenance and investment in Hong Kong, 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.

GENERAL

Investors should exercise caution in their dealings in the securities of the Company. The price of the Company's shares may be subject to fluctuations.

The members of the Board who were appointed by the Government pursuant to section 8 of the MTR Ordinance or who hold a position in the Government were not present at the portion of the meeting of the Board at which the NOL (Part 1) Project Agreement was discussed and did not take part in the discussions of the Board when the NOL (Part 1) Project Agreement was approved.

DEFINITIONS

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

“Board”	means the board of directors of the Company;
“Design Cost (Provisional) of NOL Spur Line”	means a provisional sum as agreed between the Government and the Company at the time of signing of the NOL (Part 1) Project Agreement for carrying out the Detailed Planning and Design of NOL Spur Line for achieving scheme authorisation of the NOL Spur Line;
“Detailed Planning and Design of NOL Spur Line”	means all works which are described as such under the NOL (Part 1) Project Agreement which relate to the detailed planning and design of the NOL Spur Line;
“Director”	means a member of the Board;
“Further Agreement”	means an agreement which may be entered into by the Government and the Company to outline each of their rights, obligations, duties and powers with respect to the financing, design, construction, completion and testing of the NOL Spur Line and NOL Main Line which have not been covered by the NOL (Part 1) Project Agreement, and the commissioning and operation of each of NOL Main Line and NOL Spur Line;
“Government”	means the Government of Hong Kong;
“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;
“Merger Circular”	means the circular issued by the Company dated 3 September 2007;
“MTR Ordinance”	means the Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong);

“NOL” or “Northern Link”	means (i) the NOL Main Line and (ii) the NOL Spur Line;
“NOL Main Line”	means the railway line between Kam Sheung Road and Kwu Tung, with (i) two terminal railway stations at Kam Sheung Road and Kwu Tung, (ii) three intermediate railway stations at San Tin, Ngau Tam Mei and Au Tau, (iii) Ngau Tam Mei Depot and (iv) Shui Mei Road Ancillary Building, Pok Wai Ancillary Building, Ngau Tam Mei Depot Ancillary Building, San Tin Ancillary Building, Ka Lung Road Ancillary Building, Kwu Tung Road Ancillary Building and Pak Shek Au Ancillary Building;
“NOL (Part 1) Cost”	means all amounts payable for the NOL (Part 1) Works as agreed between the Government and the Company;
“NOL (Part 1) Proposed Development Sites”	means collectively the land at specific locations agreed between the Company and the Government under the NOL (Part 1) Project Agreement (including Kwu Tung North, Fanling North, San Tin and Kam Sheung Road);
“NOL (Part 1) Project”	means the NOL (Part 1) Works, the RRIW, and the Detailed Planning and Design of the NOL Spur Line;
“NOL (Part 1) Project Agreement”	has the meaning ascribed to it in the section of this announcement headed “THE NOL (PART 1) PROJECT AGREEMENT”;
“NOL (Part 1) Project Cost”	means the aggregate of (1) NOL (Part 1) Cost; (2) Design Cost (Provisional) of NOL Spur Line; and (3) RRIW Cost, which is estimated to be, in aggregate, around HK\$31.40 billion (July 2025 prices);
“NOL (Part 1) Works”	means all works described as such under the NOL (Part 1) Project Agreement that are necessary for the construction of the first part of the Northern Link;
“NOL Spur Line”	means the railway line between San Tin Station in Hong Kong and Huanggang Port Station in Shenzhen, with two intermediate stations at Chau Tau and the Loop in Hong Kong;
“Operating Agreement”	means the operating agreement dated 9 August 2007 made between the then Secretary for Transport and Housing (the office of which is now replaced by the Secretary for Transport and Logistics) for and on behalf of the Government and the Company, as contemplated in Section 4(2) of the MTR Ordinance and as amended from time to time;
“Railways Ordinance”	means the Railways Ordinance (Chapter 519 of the Laws of Hong Kong);
“Reduction Amount”	means a total fixed amount of HK\$39.05 billion, which is divided into specific tranches, for each of the NOL (Part 1) Proposed Development Sites;
“RRIW”	means all works which are described as such under the NOL (Part 1) Project Agreement which include the reprovisioning, remedial

and improvement works that constitute the replacement, modification or improvement of existing privately owned facilities (if any) or facilities owned by the Government or public bodies necessary for and/or required as a consequence of the construction of the NOL (Part 1) Works. Following completion of the RRIW, they shall be handed over to, owned, managed, maintained and controlled by such private owner (if any), the Government or public bodies;

“RRIW Cost”

means all amounts payable for the RRIW; and

“Scheduled Completion Date”

means (a) in relation to the Detailed Planning and Design of the NOL Spur Line, 31 December 2034; and (b) in relation to the NOL (Part 1) Works, (i) 31 December 2031 for tunnel sections of the NOL Main Line under the NOL (Part 1) Works and (ii) 31 December 2032 for Kam Sheung Road Station (Northern Link), Au Tau Station and Kwu Tung Station (Northern Link).

By Order of the Board
Gillian Elizabeth Meller
Company Secretary

Hong Kong, 8 July 2025

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*, Cheng Yan-kee*, Hui Siu-wai*, Ayesha Macpherson Lau*, Sunny Lee Wai-kwong*, Jimmy Ng Wing-ka*, Susanna Shen Shuk-ching*, 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 (Mable Chan)**, 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, Michael George Fitzgerald, 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.