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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)

### **CONTINUING CONNECTED TRANSACTIONS**

#### **EXECUTION OF AGREEMENTS RELATING TO THE FIRST PHASE OF THE TUEN MA LINE**

#### **EFFECT ON THE GROUP OF NOVEL CORONAVIRUS**

##### **Arrangements for the Commencement of Operation of the First Phase of the Tuen Ma Line**

The Company announces that it has entered into arrangements for the operation of the first phase of the Tuen Ma Line, which extends the Ma On Shan Line from Tai Wai to Kai Tak. This forms the first part of the Shatin to Central Link. Commercial operations on the first phase of the Tuen Ma Line are expected to commence on 14 February 2020.

On 11 February 2020:

- (i) the Company and Government entered into (a) an Amendment Agreement to the Existing Integrated Operating Agreement; and (b) a Supplemental Agreement to the Existing Integrated Operating Agreement. These two new agreements amend and supplement, respectively, the existing integrated operating agreement, which regulates the operation of the existing railway network, so that the first phase of the Tuen Ma Line is regulated in substantially the same manner as the existing railway network; and
- (ii) the Company and Kowloon-Canton Railway Corporation entered into the Supplemental Service Concession Agreement for the first phase of the Tuen Ma Line. This agreement supplements the existing service concession agreement between the Company and Kowloon-Canton Railway Corporation, which regulates the operation of the part of the existing railway network over which Kowloon-Canton Railway Corporation has granted to the Company a concession, so that the first phase of the Tuen Ma Line is subject to similar concession arrangements (for a

period of two years from the date of commissioning and commercial operation). Prior to the full opening of the Tuen Ma Line, the parties are obliged to commence exclusive negotiations in good faith with a view to agreeing the terms of a supplemental service concession agreement for the entire Tuen Ma Line (which is intended to replace the Supplemental Service Concession Agreement that was executed on 11 February 2020).

The new agreements referred to in paragraphs (i) and (ii) above form part of the legal and regulatory regime for the operation of railways in Hong Kong and are required for the purposes of the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong) so that the first phase of the Tuen Ma Line is properly regulated thereunder.

The agreements and arrangements between the Company and Government and the Company and Kowloon-Canton Railway Corporation, referred to in paragraphs (i) and (ii) above, constitute continuing connected transactions for the Company.

As disclosed in previous announcements made by the Company, The Stock Exchange of Hong Kong Limited has granted waivers to the Company which, subject to certain conditions, exempt the Company from strict compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which would otherwise apply to connected transactions and continuing connected transactions between the Company and Government and its associates (including Kowloon-Canton Railway Corporation). Had the waivers not been granted, the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited would have been applicable.

#### **Effect on the Group of Novel Coronavirus**

The Group's Hong Kong transport operations, Hong Kong station commercial and property rental businesses, and its Mainland China businesses, are being significantly affected as a result of the Novel Coronavirus.

##### **(i) Cross boundary services and related business**

As a result of Government's announcement of the closure of the boundary between Hong Kong and Mainland China in phases, the Company has had to close: (a) Lo Wu and Lok Ma Chau stations of the East Rail Line; (b) the High Speed Rail service; (c) the intercity rail service from Hong Kong to Guangdong, Shanghai and Beijing; and (d) station shops at Lo Wu, Lok Ma Chau and West Kowloon stations. These closures have, in turn, resulted in there being no cross boundary patronage during the period of such closures.

##### **(ii) Domestic services**

As a result of: (a) the implementation by Government and certain commercial organisations of measures to permit their employees to work from home; (b) the delayed resumption of school classes, following the Chinese New Year holiday, until 2 March 2020 at the earliest (pending further assessment); and (c) a significant reduction in tourism to Hong Kong and local leisure travel within Hong Kong, there has been a severe negative impact on the patronage of the Group's domestic services.

The Board will continue to monitor the financial position and business prospects of the Group and will make further announcement(s), as appropriate.

## **General**

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

**The Company will make further announcement(s) at the appropriate time(s).**

### **A. Arrangements for Commencement of Operation of the First Phase of the Tuen Ma Line**

#### **1. Execution of AOA, SOA and Supplemental Service Concession Agreement for TML1**

The Company announces that it has entered into arrangements for the operation of TML1, which extends the Ma On Shan Line from Tai Wai to Kai Tak. This forms the first part of the Shatin to Central Link. Commercial operations on TML1 are expected to commence on 14 February 2020.

On 11 February 2020:

- (i) the Company and Government entered into (a) the AOA; and (b) the SOA. These two new agreements amend and supplement, respectively, the Existing Integrated Operating Agreement, which regulates the operation of the existing railway network, so that TML1 is regulated in substantially the same manner as the existing railway network; and
- (ii) the Company and KCRC entered into the SSCA. This agreement supplements the Existing Service Concession Agreement, which regulates the operation of the part of the existing railway network over which KCRC has granted to the Company a concession, so that TML1 is subject to similar concession arrangements (for a period of two years from the date of commissioning and commercial operation). Prior to the full opening of Tuen Ma Line, the parties are obliged to commence exclusive negotiations in good faith with a view to agreeing the terms of a supplemental service concession agreement for the entire Tuen Ma Line (and that new supplemental service concession agreement is intended to replace the SSCA).

The new agreements referred to in paragraphs 1(i) and 1(ii) above form part of the legal and regulatory regime for the operation of railways in Hong Kong and are required for the purposes of the MTR Ordinance so that TML1 is properly regulated under the MTR Ordinance.

## **2. Background**

### 2.1 Shatin to Central Link and TML1

It has been agreed that the Shatin to Central Link will be commissioned in two parts. The first of such parts will extend the existing MOSR from Tai Wai to the West Rail Line via East Kowloon to form the Tuen Ma Line. The second part will extend the existing East Rail Line across Victoria Harbour to Wanchai North and Admiralty.

The Tuen Ma Line will in turn be commissioned in two phases. The first of such phases will extend the existing MOSR from Tai Wai to Kai Tak with two new stations at Hin Keng and Kai Tak, and an interchange station at Diamond Hill. The second of such phases will run from Kai Tak to Hung Hom where it will connect to the existing West Rail Line. There will be two new stations at Sung Wong Toi and To Kwa Wan, and an interchange station at Ho Man Tin.

The TML1 Arrangements have been entered into in connection with the commissioning and operation of TML1 and, in the case of the SSCA to, in addition, establish parameters for the arrangements relating to entry into (a) further supplemental service concession agreement(s) for TML2.

### 2.2 Reasons for, and benefits of, the TML1 Arrangements

#### 2.2.1 The Company believes that:

- (i) the completion of TML1 is very important for the Company as it preserves and enhances the Company's Hong Kong and overseas reputation as a builder and operator of railway projects;
- (ii) TML1 is expected to preserve and enhance the Company's relationship with its various stakeholders, its reputation and its platform for future growth in Hong Kong;
- (iii) from a financial perspective, the financial arrangements under the two-year SSCA have been designed to:
  - (a) achieve a commercial return for the Company from the operation of TML1; and
  - (b) contribute, in aggregate, expected positive net cash flow and net profit to the Company, over the term of the SSCA, albeit on a marginal basis; and
- (iv) TML1 is the first phase of the first part of the Shatin to Central Link. The Shatin to Central Link is important to Hong Kong, as it is expected to bring direct benefits in terms of time savings and enhanced ease of travel between Hong Kong Island and the New Territories. Connectivity is one of the vital factors for achieving growth and development, and failure to improve Hong Kong's infrastructural connectivity may reduce Hong Kong's long term competitiveness. The Company believes that the operation of

TML1, and TML2 and the Shatin to Central Link as a whole in the future, will be in the long term interests of the Company and Hong Kong.

2.3 The Board (including the independent non-executive Directors but excluding the Directors appointed by Government under section 8 of the MTR Ordinance or who hold a position in Government) believe that the terms of the TML1 Arrangements are:

2.3.1 of a revenue nature and in the ordinary and usual course of business of the Company's group;

2.3.2 on normal commercial terms; and

2.3.3 on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors appointed by Government under section 8 of the MTR Ordinance, or who holds a position in Government, was present at the relevant Board meeting at which the TML1 Arrangements were approved by the Board and did not vote on the relevant Board resolutions (further details are contained in paragraph 5.2 below).

2.4 Rail Merger

On 2 December 2007, following the approval by the independent shareholders of the Company, the Rail Merger became effective. The terms of the Rail Merger were set out in various transaction agreements which were entered into on 9 August 2007, including:

2.4.1 the Existing Integrated Operating Agreement (see section 3 below); and

2.4.2 the Existing Service Concession Agreement (see section 4 below),

as more particularly described in the Rail Merger Circular.

### **3. Amendment Operating Agreement and Supplemental Operating Agreement**

3.1 Existing Integrated Operating Agreement

The AOA and the SOA amend and supplement, respectively, the Existing Integrated Operating Agreement for the purpose of regulating the operation of TML1.

On 9 August 2007, in connection with the Rail Merger, the Company and the Secretary for Transport and Housing, for and on behalf of Government, entered into the Existing Integrated Operating Agreement. The Existing Integrated Operating Agreement is prescribed under the MTR Ordinance and regulates the operation by the Company of railways in Hong Kong. It also includes terms relating to new railway projects such as TML1.

In relation to new railway projects, the Existing Integrated Operating Agreement provides that, unless otherwise agreed by the Company and Government, for each new railway project that Government invites the Company to operate under the service concession approach, additional concession payments to KCRC are to be structured, *inter alia*:

- 3.1.1 so as to enable the Company to earn a commercial rate of return in relation to the operation of the new railway; and
- 3.1.2 in a similar way as the payment structure under the Existing Service Concession Agreement (being in the form of fixed annual payments and variable annual payments), where KCRC is the owner of the new railway project.

For further details of the terms of the Existing Integrated Operating Agreement, please refer to pages III-20 to III-33 of the Rail Merger Circular.

### 3.2 Amendment Operating Agreement and Supplemental Operating Agreement to the Existing Integrated Operating Agreement

On 11 February 2020, the Company and the Secretary for Transport and Housing, for and on behalf of Government, entered into the AOA and the Company and the Commissioner for Transport, for and on behalf of Government, entered into the SOA to amend and supplement, respectively, the Existing Integrated Operating Agreement in order to prescribe the operational requirements that will apply to TML1, such as service standards. The intent and effect of the AOA and the SOA together is that the operational requirements that are applicable to the existing railway network will apply in substantially the same manner to TML1.

The AOA and SOA are each an “operating agreement” for the purposes of the MTR Ordinance, form part of the legal and regulatory regime for the operation of railways in Hong Kong and are required for the purposes of the MTR Ordinance so that TML1 is properly regulated under the MTR Ordinance.

### 3.3 Principal Terms of the AOA and SOA

The principal terms of the AOA and the SOA have the effect of bringing TML1 within the legal and regulatory regime for the operation of railways in Hong Kong contained in the Existing Integrated Operating Agreement, as explained in paragraph 3.2 above. The amendments under the AOA and the SOA will take effect on 14 February 2020.

## 4. **Supplemental Service Concession Agreement**

### 4.1 Existing Service Concession Agreement

The Existing Service Concession Agreement prescribes the form of the supplemental service concession agreement for new concession projects such as TML1. The SSCA supplements the Existing Service Concession Agreement, which regulates the operation of the part of the existing railway network over which KCRC has granted to the Company a concession, so that TML1 is subject

to similar concession arrangements.

On 9 August 2007, in connection with the Rail Merger, the Company and KCRC entered into the Existing Service Concession Agreement. The Existing Service Concession Agreement is contemplated in the MTR Ordinance and regulates the operation by the Company of the KCRC railway system. Under the Existing Service Concession Agreement, KCRC granted the Company the right to access, use and operate the existing KCRC railway system for a concession period of 50 years.

Under the Existing Service Concession Agreement, the Company is obliged to pay to KCRC an annual fixed payment of HK\$750 million in each year during the concession period and variable annual payments which are calculated on a tiered basis by reference to the revenue generated from the KCRC railway system.

The Existing Service Concession Agreement also provides that, where a new railway project is to be the subject of a service concession granted by KCRC in favour of the Company, the Company and KCRC shall enter into a supplemental service concession agreement in the form prescribed in the Existing Service Concession Agreement. A supplemental service concession agreement was entered into between the Company and KCRC on 23 August 2018 in respect of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (now known as “High Speed Rail”) based on the form prescribed in the Existing Service Concession Agreement.

For further details of the terms of the Existing Service Concession Agreement, please refer to pages III-8 to III-16 of the Rail Merger Circular.

#### 4.2 Supplemental Service Concession Agreement

On 11 February 2020, the Company and KCRC entered into the SSCA, to supplement the Existing Service Concession Agreement in order for KCRC to grant a concession to the Company in respect of TML1 and to prescribe the operational and financial requirements that will apply to TML1. The intent and effect of the SSCA is that the operational requirements that are applicable to the Company’s operation of the existing KCRC railway system will apply in substantially the same manner to TML1, save where any amendments are necessary to reflect the particular characteristics of, and arrangements for, TML1. The financial provisions in the SSCA have been designed to reflect the principles contained in the Existing Integrated Operating Agreement that relate to new concession projects, such as TML1 (as referred to in paragraph 3.1 above) other than as set out below.

The SSCA is a “service concession agreement” for the purposes of the MTR Ordinance, forming part of the legal and regulatory regime for the operation of railways in Hong Kong, and is required for the purposes of the MTR Ordinance so that TML1 is properly regulated under the MTR Ordinance.

#### 4.3 Principal Terms of the SSCA

The terms of the SSCA are based substantially on the terms of the Existing Service Concession Agreement, as explained in paragraph 4.2 above. Whilst the

SSCA came into effect on 11 February 2020, the term of the Service Concession (TML1) and the first date of the commissioning and commercial operation of TML1 shall commence on the New Project Effective Date (TML1) and will terminate automatically on and from the Natural Expiry Date (TML1) (being the date immediately before the second anniversary of the date of commissioning and commercial operation of TML1) (assuming the Termination Date (TML1) does not fall prior to the Natural Expiry Date (TML1)).

Certain principal terms of the SSCA that are specific to TML1 include:

#### 4.3.1 Concession payments

(i) *Variable annual payments*

The variable annual payments (being payments by the Company to KCRC) will be calculated in the same manner prescribed under the Existing Service Concession Agreement whereby the Company pays to KCRC, for each financial year, a certain percentage of the revenue generated from the KCRC system (being 35% for revenues generated from the KCRC system that are beyond the first HK\$7.5 billion). For the purposes of calculating the variable annual payments, the revenue generated from the KCRC system shall include the actual revenue from the TML1 fares received or retained by the Company and revenue derived from businesses related to TML1 which may include, without limitation, telecommunications and kiosk rental.

(ii) *Fixed annual payments for TML1*

In light of the variable annual payments described in paragraph 4.3.1(i) above and in order for the Company to be able to earn a commercial return as described above, the fixed annual payments for TML1 shall comprise payments from KCRC to the Company which, in aggregate over the Concession Period (TML1) and assuming that the Concession Period (TML1) terminates on the Natural Expiry Date (TML1), will be equal to HK\$465 million. These fixed annual payments shall be without prejudice to the Company's obligation to pay the fixed annual payments of HK\$750 million each financial year to KCRC under the Existing Service Concession Agreement.

#### 4.3.2 A new supplemental service concession agreement for TML2

On and from the date of the SSCA, to and including the date that is four months before the Natural Expiry Date (TML1) (prior to any extension or otherwise after such extension(s) as agreed in writing by the Company, KCRC and Government for the purposes of this end date), Government, the Company and KCRC shall commence exclusive negotiations in good faith with a view to agreeing the terms of a supplemental service concession agreement for TML2 which shall, in accordance with the Existing Integrated Operating Agreement, enable the Company to earn a



commercial rate of return from its operation of TML2 (and that new supplemental service concession agreement for TML2 is intended to replace the SSCA).

#### 4.3.3 Return requirements

If the Concession Period (TML1) expires or is terminated, and no supplemental service concession agreement is entered into for TML2, the Company shall, at no cost to KCRC, redeliver possession of the TML1 concession property.

### 5. **Waivers relating to connected transactions and continuing connected transactions**

#### 5.1 General

As Government is a substantial shareholder of the Company (through FSI) and the sole shareholder of KCRC (through FSI, making KCRC an “associate” of Government for the purposes of the Listing Rules), the AOA, SOA and SSCA constitute continuing connected transactions for the Company.

#### 5.2 Existing Waivers

As disclosed in previous announcements made by the Company, given the unique nature of the Company, its business and its ongoing dealings with Government and its associates (including KCRC), at the time of the Company’s initial public offering and listing on the Stock Exchange (and as renewed thereafter) and again at the time of the Rail Merger, the Stock Exchange granted Waivers to the Company which, subject to certain conditions, exempt the Company from strict compliance with the requirements of Chapter 14A of the Listing Rules which would otherwise apply to connected transactions and continuing connected transactions between the Company and Government and its associates (including KCRC). Had the Waivers not been granted, the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules would have been applicable.

Under the Waivers, in certain circumstances, the Company is required to make an announcement in respect of proposed connected transactions and continuing connected transactions in accordance with Rule 14A.35 of the Listing Rules and to disclose details of such proposals in its next annual report in accordance with Rule 14A.71 of the Listing Rules. The Waivers also require the Company to make proposed connected transactions and continuing connected transactions subject to the approval of the Board, with the Directors appointed by Government under section 8 of the MTR Ordinance and any Director who holds a position in Government being required to abstain from voting.

The Board (including independent non-executive Directors but excluding the Directors who were appointed by the Government pursuant to section 8 of the MTR Ordinance or hold a position in Government, being James Henry Lau Jr (Secretary for Financial Services and the Treasury), Secretary for Transport and Housing (Frank Chan Fan), Permanent Secretary for Development (Works) (Lam Sai-hung) and Commissioner for Transport (Mable Chan)) concluded that the

terms of the TML1 Arrangements are:

- (i) of a revenue nature and in the ordinary and usual course of business of the Company's group;
- (ii) on normal commercial terms; and
- (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole,

and approved the entry by the Company into the TML1 Arrangements. The Directors who were appointed by Government pursuant to section 8 of the MTR Ordinance (referred to above), or who hold a position in Government (referred to above), were not present at the relevant Board meeting at which the TML1 Arrangements were approved by the Board and did not vote on the relevant Board resolutions.

5.3 Details of the TML1 Arrangements will be disclosed in the next annual report of the Company.

5.4 In addition:

5.4.1 the independent non-executive Directors of the Company will review the TML1 Arrangements every year and confirm in the Company's annual report that the transactions have been entered into:

- (i) in the ordinary and usual course of the business of the Company's group;
- (ii) on normal commercial terms or better; and
- (iii) on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole;

5.4.2 the auditors of the Company will provide a letter to the Board each year (with a copy to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the transactions under the TML1 Arrangements:

- (i) have been approved by the Board; and
- (ii) have been entered into in accordance with the TML1 Arrangements;

5.4.3 the Company will allow, and use its reasonable endeavours to procure that the counterparty to the transactions will allow, the auditors of the Company sufficient access to their records for the purposes of giving the confirmation in paragraph 5.4.2 above;

5.4.4 the Company will state in its annual report whether its auditors have given the confirmation in paragraph 5.4.2 above; and

5.4.5 the Company will notify the Stock Exchange promptly and publish an announcement if it knows or has reason to believe the independent non-

executive Directors and/or the auditors of the Company will not be able to give the confirmation in paragraphs 5.4.1 and 5.4.2 above.

**B. Effect on the Group of Novel Coronavirus**

The Group's Hong Kong transport operations, Hong Kong station commercial and property rental businesses, and its Mainland China businesses, are being significantly affected as a result of the Novel Coronavirus.

(i) Cross boundary services and related business

As a result of Government's announcement of the closure of the boundary between Hong Kong and Mainland China in phases, the Company has had to close: (a) Lo Wu and Lok Ma Chau stations of the East Rail Line; (b) the High Speed Rail service; (c) the intercity rail service from Hong Kong to Guangdong, Shanghai and Beijing; and (d) station shops at Lo Wu, Lok Ma Chau and West Kowloon stations. These closures have, in turn, resulted in there being no cross boundary patronage during the period of such closures.

(ii) Domestic services

As a result of: (a) the implementation by Government and certain commercial organisations of measures to permit their employees to work from home; (b) the delayed resumption of school classes, following the Chinese New Year holiday, until 2 March 2020 at the earliest (pending further assessment); and (c) a significant reduction in tourism to Hong Kong and local leisure travel within Hong Kong, there has been a severe negative impact on the patronage of the Group's domestic services.

The Board will continue to monitor the financial position and business prospects of the Group and will make further announcement(s), as appropriate.

**C. General**

The Company and its subsidiaries are principally engaged in the following core businesses: railway design, construction, operation, maintenance and investment in Hong Kong, Macau, the Mainland of China and a number of overseas cities; project management in relation to railway and property development businesses in Hong Kong and the Mainland of 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 the Mainland of China; investment in Octopus Holdings Limited; and provision of railway management, engineering and technology training.

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

**The Company will make further announcement(s) at the appropriate time(s).**

**The Directors who were appointed by Government pursuant to section 8 of the MTR Ordinance or who hold a position in Government were not present at the relevant Board meeting at which the TML1 Arrangements described in this announcement were approved and did not vote on the relevant Board resolutions.**

**D. Definitions**

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

“AOA” or “Amendment Operating Agreement”	means the Amendment Agreement to the Existing Integrated Operating Agreement made between the Company and the Secretary for Transport and Housing for and on behalf of Government on 11 February 2020.
“Board”	means the board of Directors of the Company.
“Company”	means MTR Corporation Limited.
“Concession Period (TML1)”	means the period commencing on the New Project Effective Date (TML1) and ending on the day prior to the Termination Date (TML1).
“Director”	means a member of the Board.
“Existing Integrated Operating Agreement”	means the Integrated Operating Agreement dated 9 August 2007 made between the Company and the Secretary for Transport and Housing for and on behalf of Government, and, where the context so requires, as amended and supplemented (but excluding the Amendment Operating Agreement).
“Existing Service Concession Agreement”	means the Service Concession Agreement dated 9 August 2007 made between the Company and KCRC.
“FSI”	means The Financial Secretary Incorporated.
“Government”	means the Government of Hong Kong.
“Group”	means the Company and its subsidiaries.
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China.
“KCRC”	means Kowloon-Canton Railway Corporation.
“Listing Rules”	means the Rules Governing the Listing of Securities

	on The Stock Exchange of Hong Kong Limited.
“MOSR”	means the existing Ma On Shan Railway.
“MTR Ordinance”	means the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong).
“Natural Expiry Date (TML1)”	means the day falling immediately before the second anniversary of the New Project Effective Date (TML1), or such later date as each of the Company, KCRC and Government may agree in a written agreement by no later than the date falling one month prior to the second anniversary of the New Project Effective Date (TML1) or prior to the last extended date (where applicable).
“New Project Effective Date (TML1)”	means the date on which the term of the Service Concession (TML1) commences, as designated by Government in a notice to the parties.
“Rail Merger”	the merger of the rail operations of the Company and KCRC which took place on 2 December 2007, as more particularly described in the Rail Merger Circular.
“Rail Merger Circular”	means the circular issued by the Company on 3 September 2007 in connection with the Rail Merger.
“Service Concession (TML1)”	means the service concession and licence granted by KCRC to the Company pursuant to the terms of the SSCA.
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.
“SOA” or “Supplemental Operating Agreement”	means the Supplemental Agreement to the Existing Integrated Operating Agreement made between the Company and the Commissioner for Transport for and on behalf of Government on 11 February 2020.
“SSCA” or “Supplemental Service Concession Agreement”	means the Supplemental Service Concession Agreement No. 2 relating to TML1 dated 11 February 2020 made between the Company and KCRC.
“Termination Date (TML1)”	means the date that is the earliest of: <ul style="list-style-type: none"> <li>(i) the effective date of the revocation of the franchise pursuant to the MTR Ordinance as it relates to the KCRC Railway;</li> <li>(ii) the effective date of the withdrawal or revocation of the permission by the Director of Lands pursuant to the vesting deed entered into between KCRC and Government as well as the</li> </ul>

revocation of the franchise pursuant to the MTR Ordinance as it relates to TML1;

(iii) the first date of commissioning and commercial operation of TML2 to be designated by Government under a new supplemental service concession agreement for TML2 (which shall supersede and replace the SSCA); and

(iv) the Natural Expiry Date (TML1).

“TML1” means the first phase of the Tuen Ma Line which shall extend the existing MOSR from Tai Wai to Kai Tak with two new stations at Hin Keng and Kai Tak, and an interchange station at Diamond Hill.

“TML1 Arrangements” means the arrangements contained in the SSCA, the AOA and the SOA.

“TML2” means the entire Tuen Ma Line which will be constituted by:

- (i) the extension of TML1 to further include such part of the Shatin to Central Link comprising Sung Wong Toi station, To Kwa Wan station, Ho Man Tin station and Hung Hom station; and
- (ii) the further integration of such extended TML1 with the West Rail, altogether as one single railway line.

“Waivers” means the waivers previously granted by the Stock Exchange to the Company in respect of connected transactions and continuing connected transactions between the Company and Government (and its associates), as described in paragraph 5.2 above (further details of which are contained in the section of the Rail Merger Circular entitled “Relationship with Government”).

By Order of the Board  
**Gillian Elizabeth Meller**  
*Company Secretary*

Hong Kong, 11 February 2020

As at the date of this announcement:

*Members of the Board:* Rex Auyeung Pak-kuen (Chairman)\*\*, Dr Jacob Kam Chak-pui (Chief Executive Officer), Andrew Clifford Winawer Brandler\*, Walter Chan Kar-lok\*, Dr Pamela Chan Wong Shui\*, Dr Dorothy Chan Yuen Tak-fai\*, Cheng Yan-kee\*, Dr Anthony Chow Wing-kin\*, Dr Eddy Fong Ching\*, James Kwan Yuk-choi\*, Rose Lee Wai-mun\*, Lucia Li Li Ka-lai\*, Jimmy Ng Wing-ka\*, Benjamin Tang Kwok-bun\*, Dr Allan Wong Chi-yun\*, Johannes Zhou Yuan\*, James Henry Lau Jr (Secretary for Financial Services and the Treasury)\*\*, Secretary for Transport and Housing (Frank Chan Fan)\*\*, Permanent Secretary for Development (Works) (Lam Sai-hung)\*\* and Commissioner for Transport (Mable Chan)\*\*

*Members of the Executive Directorate:* Dr Jacob Kam Chak-pui, Adi Lau Tin-shing, Roger Francis Bayliss, Margaret Cheng Wai-ching, Dr Peter Ronald Ewen, Herbert Hui Leung-wah, Dr Tony Lee Kar-yun, Gillian Elizabeth Meller, David Tang Chi-fai and Jeny Yeung Mei-chun

\* *independent non-executive Director*

\*\* *non-executive Director*

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