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MTR CORPORATION LIMITED (地鐵有限公司)

(the “Company”)
(Incorporated in Hong Kong with limited liability)
(Stock code: 66)

SITE F OF TSEUNG KWAN O TOWN LOT NO.70, AREA 86, TSEUNG KWAN O, SAI KUNG, NEW TERRITORIES CONNECTED TRANSACTION

On 24th January, 2005, the Company accepted an offer from the Government to allow the Company to proceed with the proposed development on Site F subject to the Company’s acceptance of Government’s assessment of premium for Site F (being HK\$2,319,290,000) and of the terms of the Modification Letter and ancillary terms and conditions.

As the Government is a controlling shareholder of the Company and therefore a connected person of the Company, the transaction is a connected transaction for the Company under Rule 14A.13 of the Listing Rules. As disclosed in the announcement of the Company dated 13th January, 2005, the Stock Exchange has granted the Waiver to the Company from the requirements under Chapter 14A of the Listing Rules which would otherwise apply to connected transactions between the Company and the Government subject to the conditions described below under the heading “General”. Had there been no Waiver, the transaction would have been subject to the announcement, the reporting and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. This announcement is made in accordance with the conditions of the Waiver and Rule 14A.47 of the Listing Rules. Details of the transaction will be disclosed in the next annual report of the Company in accordance with Rule 14A.45 of the Listing Rules.

Acceptance of Government’s Offer and Modification Letter

On 24th January, 2005, the Company accepted an offer from the Government to allow the Company to proceed with the proposed development on Site F subject to (a) the Company’s acceptance of Government’s assessment of premium for Site F and of the terms of the Modification Letter, (b) the Company giving an undertaking regarding the implementation of the proposed development and an indemnity for breach of the undertaking, and (c) ancillary terms and conditions. Under the terms of Government’s offer, a binding contract between the parties arises when Government receives the Company’s acceptance and undertaking. The Company delivered the acceptance and undertaking to Government on 24th January, 2005. The Modification Letter is to be executed within three calendar months from that date. The Modification Letter contains details relating to the arrangements for the implementation of the proposed development on Site F. It is proposed that the development on Site F will include accommodation and facilities with a total gross floor area of not less than 136,540 square metres, including residential accommodation, commercial accommodation, a residential care home for the elderly, a community hall and an integrated children and youth services centre. The Company is required to pay to the Government the premium for Site F, which was assessed by the Government to be HK\$2,319,290,000, by reference to the full market value of Site F, ignoring the presence of the railway. The value of Site F, by reference to the premium assessed, was HK\$2,319,290,000 as at 21st December, 2004. The Company is required to pay the premium for Site F in one lump sum within 28 days of Government’s letter enclosing the Modification Letter or within three calendar months of the date of Government’s receipt of the Company’s acceptance and undertaking, whichever is the earlier.

Reasons for accepting Government’s offer and executing the relevant documentation

The Company has accepted Government’s offer and has executed relevant documentation and proposes to execute the Modification Letter in order to be allowed to proceed with the proposed development on Site F. The Directors (including the independent non-executive Directors) believe that the terms of Government’s offer and the relevant documentation (including the Modification Letter) are fair and reasonable and in the interests of the shareholders of the Company as a whole.

General

As the Government is a controlling shareholder of the Company and therefore a connected person of the Company, the transaction is a connected transaction for the Company under Rule 14A.13 of the Listing Rules. As disclosed in the announcement of the Company dated 13th January, 2005, the Stock Exchange has granted the Waiver to the Company from the requirements under Chapter 14A of the Listing Rules which would otherwise apply to connected transactions between the Company and the Government involving land and land interests subject to certain conditions. Under the Waiver, the Company is required to make an announcement of the transaction in accordance with Rule 14A.47 of the Listing Rules and to disclose details of the transaction in its next annual report in accordance with Rule 14A.45 of the Listing Rules. The Company is also required under the Waiver to make the transaction subject to the approval of the Board of Directors, with the Directors appointed by the Government under section 8 of the Mass Transit Railway Ordinance (Cap. 556) and any Director who holds a position in the Government being required to abstain from voting. Had there been no Waiver, the transaction would have been subject to the announcement, the reporting and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. This announcement is made in accordance with the conditions of the Waiver and Rule 14A.47 of the Listing Rules. Details of the transaction will be disclosed in the next annual report of the Company in accordance with Rule 14A.45 of the Listing Rules.

Principal activities of the Company

The principal activities of the Company and its subsidiaries are (a) the operation of a mass transit railway system, (b) property development relating to the railway, (c) related commercial activities, (d) the construction of the Penny’s Bay Rail Link, (e) the design, construction and operation of the Tung Chung Cable Car Project and related tourist development, (f) the planning and construction of future extensions and other related infrastructure projects, (g) consultancy services, (h) the operation of a smart card system, and (i) equity investments and long term operation and maintenance contracts outside Hong Kong.

Definitions

“Conditions of Grant”	means the particulars and conditions for the grant of an agreement for lease by private treaty of Tseung Kwan O Town Lot No.70 between the Government and the Company dated 16th May, 2002;
“Directors”	means members of the board of directors of the Company;
“Government”	means the Government of 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;
“Modification Letter”	means the modification letter to be entered into between the Company and the Government in relation to the Conditions of Grant;
“Site F”	means Site F of Tseung Kwan O Town Lot No.70, Area 86, Tseung Kwan O, Sai Kung, New Territories;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“Waiver”	means the waiver granted by the Stock Exchange to the Company from the requirements under Chapter 14A of the Listing Rules (subject to certain conditions).

By Order of the Board
Leonard Bryan Turk
Secretary

Hong Kong, 27th January, 2005

Members of the Board: Dr. Raymond Ch’ien Kuo-fung (*Chairman*)***, Chow Chung-kong (*Chief Executive Officer*), Professor Cheung Yau-kai*, David Gordon Eldon*, T. Brian Stevenson*, Edward Ho Sing-tin*, Lo Chung-hing*, Christine Fang Meng-sang*, Frederick Ma Si-hang (*Secretary for Financial Services and the Treasury*)**, Secretary for the Environment, Transport and Works (Dr. Sarah Liao Sau-tung)** and Commissioner for Transport (Robert Charles Law Footman)**

Members of the Executive Directorate: Chow Chung-kong, Russell John Black, William Chan Fu-keung, Philip Gaffney, Thomas Ho Hang-kwong, Lincoln Leong Kwok-kuen and Leonard Bryan Turk

* independent non-executive directors
** non-executive directors

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